

## Transcript – WPD ED2 Open Hearing – 18<sup>th</sup> March 2022

### **Steve McMahon, Ofgem, Deputy Director, Network Price Control Setting – introduction:**

My name is Steve McMahon, I'm Ofgem's Deputy Director for Network Price Control Setting and the SRO for the ED2 programme. So welcome, everybody, to the latest in our ED2 Open Hearings, this time with Western Power Distribution. So, before handing over to Martin Cave, Ofgem's Chair, for some opening remarks, I will briefly cover a few housekeeping issues for this event – and apologies if you've heard these in any of the previous sessions.

Firstly, all attendees should note that the session is being recorded and a transcript will be published including all the questions posted in the chat from participants. The session is also operating as a moderated Teams session, hopefully one that works, so the visible participants should currently be limited to the Ofgem panel members, the WPD attendees and the representatives from the independent ED2 Challenge Group and the WPD Customer Engagement Group. So, from the Ofgem side, alongside myself and our chairman, we have Christine Farnish – Non-Executive Director and Ben Burke-Davies, the Project Director for ED2. From WPD, I'm hoping that we have Phil Swift – the CEO, we've got Ian Williams - Group Finance Director, Alison Sleightholm – Resources and External Affairs Director and Graham Halladay – Operations Director. From the Challenge Group we have its chair Roger Whitcomb and Bob Hull. And from the WPD Customer Engagement Group we have its chair, Duncan McCombie and its member - Martin Crouch.

All other attendees will have their cameras and microphones disabled in the meantime. If you do want to participate in the Q&A session, then please post your questions for each of those session in the chat along with your name and organisation – so don't use the 'raised hands' function. The questions are being moderated by some of my colleagues and if your question is selected then we will come to you, and we'll enable your camera and microphone for you to pose your question to the WPD team. You will still have to unmute yourself from your laptop. So, that's really important as we seemed to have a few issues with that in the first session. If for whatever reason the technology doesn't work and won't let you appear then I will cover the question on your behalf. Time is limited – I think because we had a late start, we're going to run, hopefully still for around the two hours, not everybody may be able to stay for that session, but we are going to try and recover that time. We will try to get through as many questions as we can but any questions that aren't responded to will be collected, and we will look to ensure they are covered as an addendum to the post meeting transcript.

We have two thematic sessions with a short break in between, we might have to lose that break. Theme one is 'Preparing the Network to meet Net Zero at lowest cost to customers', theme two is 'Delivering world class service and ensuring nobody is left behind'.

Our experience of the first two sessions suggests we might run slightly longer on the first given the range of important issues that covers. The Challenge Group and the Customer Engagement Group will open the questioning for each of those sessions and then we will come to the Ofgem panel and wider participants for their questions. So, hopefully that's all clear, and after those technical issues, now over to you, Martin.

### **Martin Cave - Ofgem – Chairman - opening remarks:**

OK, thank you. Well, first of all, my sincere apologies to everyone for the delay we've had in starting, which was, as explained, has been due to technical issues, perhaps particularly to our WPD colleagues who are being put to some inconvenience, I imagine, as a result of this.

I'm just going to make a very few opening remarks of welcome. First of all, we are all acutely aware of the current situation in the gas market, largely reflecting the awful events in Ukraine.

These cost pressures are likely to persist for some time, and clearly there are going to be huge challenges for households across the country. The government, Ofgem and the industry have the responsibility to do whatever we can to protect consumers. This requires us to make decisions that work towards a greener, more affordable energy system, and that will protect us from the price shocks of tomorrow.

The ED2 price control provides a great platform for us to do exactly this. The local distribution grids will sit at the heart of the energy system transition. This means new investment. We must also make sure we extract the most value out of the existing infrastructure and tap into the potential offered by new technologies and flexible resources such as EVs and battery storage.

Later this year, it'll be Ofgem's responsibility to make determinations on the essential services the networks will provide over the five-year period to 2028, and what customers should pay for them. This will require a careful balance ensuring investment is made in the right place at the right time and for the right price. Price controls are a complex business. We try to simplify the process and make it more accessible to the people that matter; the customers and users of the network, and the wider stakeholder community that represents their interests. That's the purpose of the open hearing today.

Extending the discussion and making sure that collectively we have the opportunity to scrutinise the spending plan the company has proposed is very important and I'm very grateful for you for coming to participate in this.

We at Ofgem have many opportunities to meet with companies and we would like today to witness as full as possible a dialogue between it and the stakeholders.

Now, having said that, I will hand over to our WPD colleagues, to Phil Swift in particular for their 15-minute presentation.

#### **Phil Swift – WPD**

Thank you, Martin, and just thank you to everyone who's on the call today and has stuck with it to get into the Teams call.

It's an opportunity that we welcome to share our business plan for ED2 and talk a little bit about what makes WPD tick. And I'm really proud of our plan, I think our plan is ambitious, I think that our plan delivers for our stakeholders and I think that our plan is created - we know our plan is created with over 25,000 stakeholders who have been instrumental in that, you know, for over three years now, and I think when you look at ED2 and you look at the our business plans that are going in, credibility is really, really important.

And I look at ED1, obviously we've got one more year to go in ED1 - we set out with 76 core commitments and we're on track to deliver those for our customers and wider stakeholders.

Additionally, through ED1, you know, we've proven to be highly adaptive and agile in what we've done. We've re-engineered our network design for a maximum demand of 14 gigawatts to be able to take 31 gigawatts of intermittent generation. We've established world leading DSO services and we've done all that within the ED1 price control settlement and one thing that we've also done, we handed back £77 million worth of allowance when the government changed some of its electrification of rail in terms of strategy.

Moving to ED2 - it's a very stretching - and a plan that's got a lot of efficiency built in upfront and sets out to really, really deliver for our stakeholders and deliver Net Zero, their Net Zero ambitions, our preparations for ambitions through ED2 and customers are at the heart of the energy transition and its customers and stakeholders that we've really got to serve.

But, as Martin has just spoken about there, it is really, really key, and it's never been more in the spotlight that bills have got to be affordable, and I think we've struck the right balance with this business plan. What I'm going to do now is hand over to Alison Sleightholm, our Resources and External Affairs Director who's now going to lead our short presentation - Alison.

### **Alison Sleightholm – WPD**

Yeah, thank you Phil and good morning everyone. Thank you for your patience. We'll work hard to make this session as useful and meaningful for you as we can. Let me start by saying that WPD has an incredibly ambitious vision for the future. That vision is underpinned by the four overarching outcomes that you can see on the screen; sustainability, leading the drive to Net Zero, connectability allowing customers to connect what they want to connect when they want to connect it, vulnerable customer support, but critically and crucially, affordability - delivering the network performance, delivering the customer service at an excellent standard that our customers rightly expect, doing what we need to get to Net Zero, but doing so with a plan that keeps bills broadly flat and the way that we do that is evidenced by those golden threads on the top of the screen; innovation, digitalization and efficiency is all the way through our plan. And our plan is presented in the form of core commitments, of which there are 42. I'm exceptionally proud of the very high levels of acceptability that we have for each and every one of those commitments, and to deliver those commitments we will invest £6.7 billion in the network of which £1.4 billion is an increase in expenditure. But again, back to that critical point, we will do so through the efficiency, innovation, and digitalization by keeping bills broadly flat.

Now, those overarching outcomes play really nicely into the two themes that Ofgem have asked us to discuss today and I'll come onto those in a moment, but before I do, I'd like to start just by saying a few words about why the WPD plan is well justified and why you can trust WPD to deliver.

Firstly, I and the team are really, really proud that this plan has truly been co-created with our stakeholders: 25,000 stakeholders engaged at 280 events. Real meaningful engagement, not clicks on the internet.

We are the only company who has published and consulted on three draft plans and our customer engagement group have held us to an exceptionally high standard and on the left hand side of the screen in that green box, you can see the six tests and hurdles that we had to overcome in order for me to be able to say to you, we believe our plan is well justified.

Equally important is - as well as having a plan - is that WPD have a track record. We do what we say we will do and we do more besides and if you look over on the right hand side of the screen, there's a couple of examples. Phil's already said we're on track to deliver our 76 commitments. You don't have to take my word for that, you can look at our business plan commitment report, you can come and join us at one of our workshops.

Additionally, there are things that we've done that we didn't have in the original plan. We've connected over 10 gigawatts of distributed generation, that we, and nobody else, forecast. And we are the leader in DSO flexibility and the offering of those services.

So let me move on to theme one, and theme one is preparing the networks to meet Net Zero at the lowest cost to customers. And what I'll do is I'll firstly talk about the outcome which you can see on the left hand side of the screen and then I'll share with you how we are going to deliver that outcome and the key outcome for our customers is they want to achieve Net Zero as soon as they want to, and we know from our work with local authorities and wider stakeholders, this varies across the WPD region and in some cases it can be as early as 2028.

So how will we deliver that? Well, the first thing I'd like to talk about is network readiness. We've got relentless focus at WPD to deliver this outcome. We have built our most robust and granular forecasts ever of future energy use, and we've done that by engaging with 130 local authorities, wider stakeholders, to understand their proposals to assist them to develop and deliver their plans. Now, we've got really high confidence in our best view but equally we set out in the plan how we will flex, should we need to change. So, we will be ready for at least an additional one and a half million electric vehicles and 600,000 heat pumps by 2028, and whilst we are really confident that our best view is credible and we don't expect to be

much outside of it, we are suggesting that our customers are protected by an uncertainty mechanism if what we actually deliver is more or less than the scenario, so they pay for what we do.

The next thing I'd like to talk about are affordable connection solutions and the real challenge, I think, for us, in putting this plan together has been balancing bills, reliability, and Net Zero. So firstly, in relation to bills, we are rolling out more flexibility than anyone else to avoid £94 million of load-related expenditure in ED2 and what I would say about that is it isn't just contracts, it is full scale, widespread deployment and it is already underway.

Secondly, we'll achieve widespread monitoring of our LV network, mostly by using smart meter data and then using LV monitoring where necessary, and we think that's a really efficient approach.

And then thirdly in relation to Net Zero, we have a really clear commitment to our customers that we will offer same day connections response for EV's and heat pumps and we're already gearing up to handle more than 1600 enquiries a day.

How do we maximise customer benefits? Well, firstly we have an exceptional customer service record in WPD. We are the best performing network operator since the common measure was introduced in 2015. So, in addition to that we also have a lot of Community Energy Schemes within our area, about 43% of the UK total Community Energy Schemes, and that's about 100 schemes, and that's about 100 megawatts. Using our new Community Energy Engineers, that will see us support those Community Energy Groups to connect an extra 30 schemes a year for each and every year. So that's 150 schemes over the last five years.

While our increased expenditure to deliver the Net Zero future could have resulted in a £3.37 bill increase, we've been able to keep the bills broadly flat as a result of the huge efficiencies, and I particularly mention open data here, we're using open data to drive new services, those that are identified both by us and by others.

And for the final point, on this slide, we will lead by example. We are trailblazing a way to become a Net Zero business for our own business carbon footprint by 2028. Now originally, that was not what we proposed. Stakeholders thought our ambition was not high enough but through the process of publishing our business plan three times for stakeholder input, they asked us to go significantly faster and we responded and we will work closely with local authorities, not only to enable them to realise their Net Zero ambition, but also to help them develop their plans and to better target investment and all of this is built on the WPD approach that I referenced on the first slide of being adaptive to change and it's that approach that sets us up to deliver in the next price control period.

Let me now talk about theme two and I'll adopt the same approach as I did with the prior slide. I'll talk about the outcome and then I'll say what are the key things that we will do to deliver that outcome. So, theme two: delivering world class services and ensuring nobody is left behind. And we will, for our customers, deliver an outcome of world class affordable services where everyone benefits in a smart future.

This means a customer satisfaction level of 93% or higher and ensuring that our fuel poor and our vulnerable customers are not left behind as we progress towards a smart future.

That starts for us with best ever reliability. Our network reliability is already at exceptional levels, but our plans mean we will improve it still further, such that our customers will only experience the power cut on average once every two years lasting less than 22 minutes.

Wherever you are in WPD, your network performance will only get better. Equally, we will focus on our worst served customers and those are the customers who sit at the tail end of that average and that will ensure that they don't lose out. So, by focusing on our worst-served customers and the circuits that provide supply to those customers, we will typically benefit rural vulnerable customers.

No customer left behind in the smart future. I'm sure everybody on this call has heard that principle, and it's a really, really, really important principle but it's how do you put it into action? So our vulnerable and

our fuel poor customers across WPD need to be supported to ensure that they don't get left behind in the smart future. Now, we know EV's and heat pumps can be relatively expensive and we know that customers need assistance to help them be energy efficient. We are utterly committed to providing the support that you can see on the screen.

600,000 smart energy action plans a year for our customers to support them. 113,000 fuel poor customers supported by our partners to save £60 million, and that's real savings in those customers pockets and a one and a half million annual Community Matters Fund and this is not corporate cheque writing. This is a fantastic model that allows us to put real benefit into local communities by running small projects on themes such as community resilience, community health and community fuel poverty, all of which has to be done with exceptional efficiency. We've baked in £800 million of efficiency savings into our plan. We know with innovation for every pound that we spend we'll deliver more than that in benefits and a really great example is on the screen. We will double the expenditure on load-related schemes, but we will only, by using innovation and digitalization, have an 8% increase in our engineering support costs. And my final point before I hand back to Phil, I'm going to use the same words that I used at the beginning - it is critical, and it is crucial that we keep bills broadly flat. It is on - I'm sure it's on everybody's mind and we all know we have to ensure that the services we offer are affordable for customers. We really understand the concern over energy costs, and that's why we've endeavoured to ensure the bill impact is low.

So overall, a WPD domestic customer pays about 28 pence a day on average. That's £98 a year for their network charges, that will stay broadly flat. That includes the delivery of the 42 commitments, the increase in investment, the innovative proposals, the stretching efficiency, and the support for our vulnerable customers.

I'd like to conclude by saying thank you for listening, that ends the WPD presentation and I'll just hand briefly back to Phil for his closing remarks.

#### **Phil Swift – WPD**

Thank you, Alison.

Yes, in closing I'd like to reiterate that our ED2 business plan very much builds on an organisation that does strive and has delivered, you know, better on its commitments through ED1 and I truly believe we can be trusted to do so in ED2. We're going to continue to innovate. We've got some great innovation and we've got to adapt as we go forward and utilise better ways and new approaches as Alison just alluded to there, you know, and in particular the use of data.

We've got an organisation with staff who are absolutely committed to the communities that they serve, and our field-based staff live in the communities that they serve, and we believe that brings a whole additional understanding of what it means to deliver for your customer.

And as Alison said, you know, we're holding bills flat at 28 pence a day despite the significant increase in investment which is going to give us the future Net Zero opportunities that we need in the UK and our customers need to be able to connect the technologies they need to connect. Thank you, back to you Martin.

#### **Martin Cave – Ofgem**

OK, so we'll begin questioning on the first theme – preparing the networks to meet Net Zero at lowest cost to customers, and we're going to kick off with Bob Hull from the from the Challenge Group, so Bob, over to you.

#### **Bob Hull – Challenge Group**

Thank you very much. Good morning everyone. I'd like to start with a question on your totex bid that you've got in your plan. As you say, you're asking for another £1.4 billion in your baseline allowance to be paid by consumers over the next period and also another £1.3 billion or so through uncertainty mechanisms, which is a 50% increase if all of that, sort of, comes through over the next period. When we look at, sort of, underlying costs, those are increasing quite significantly, if we put Net Zero expenditure to one side, about a 20% increase on a like-for-like basis.

I'd particularly like to ask you about your business support, your overhead costs. If we look at your corporate costs, your business support, IT costs, they go up by about 40%, which is higher than any other DNO is proposing. So, why haven't you been able to control these costs to current levels and deliver value for money for consumers?

### **Phil Swift – WPD**

Thanks Bob. I mean in there there's obviously actually quite a few areas that go off in different tangents so I think I'll start with the IT, and I may pass to some of my colleagues in terms of, sort of, totex and particular areas.

But if we look at IT, the predominant increase in our IT cost is around cyber and I think we can all understand there's, you know, a huge need for national critical infrastructure providers and entities that are in that space to make sure that they're absolutely robust to any potential threats that we've got and never more so than then right now.

So, we are all on a very, very high state of alert, as I'm sure you're aware, we're engaged in regular meetings with both NCSC – the National Cyber Security Centre and GCHQ, and other security agencies about our posture - our defence posture - and obviously the threat actors that are out there and as we go forward it is really important that we can continue to keep that robust cyber defence in position. Obviously as we go to a more smart adaptive network, there's more internet connected equipment that our customers will want to connect to our network. It is essential that we actually - we stay on top of that and protect the data and the network. And so, a significant amount as we go into ED2 is to continue that evolution, so we're at NIS CAF Basic - we're still awaiting the audit, but our self-audit would lead us to believe that we're at that stage. We're already working with Ofgem and NCSC on the NIS CAF Enhanced already through ED1, but that's going to continue to need investment into ED2, so there's a range of stuff around cyber there. In terms of IT in general, we've always had incredibly low IT costs.

There are phasing issues sometimes as we go from one price control to the other, but our IT position needs to also be able to handle the required levels of data and data security and the ability to be a smarter distribution business – WPD, whether that's DNO or DSO, as we go forward.

In terms of business support costs, one of the things we're looking at, as Alison briefly touched on, is efficiency and how we do that with our - using the data and using, you know, the systems that we're going to have and if I take low carbon technologies as an example, Bob, we've got - potentially we're going to be running at 1600 connection applications a day, and so what we need is technology to deliver that - yes, we could gear up with people, but people equal cost, so we're looking at innovative online systems that people can literally find their property, put in what they want, and it will tell them straight away whether they can connect it or not, and that's really important.

In other aspects we've delivered - we're looking to deliver over £720-odd million worth of in-baked efficiency, so our efficiency is up front, you know, that's already in there. You don't have to wait through ED2 to get that, and then the £95 million worth of more efficiency as we go through the period. So, I think that we're in a good position but basically, you know, we are protecting customer bills, but moving our network and moving our capability and certainly our defensive stance forward.



**Bob Hull – Challenge Group**

I mean, if I could just follow up on – so, thank you for that. I mean, I note from annex six of your plan, you're planning to hire another 97 IT staff as you sort of outlined, which is quite a significant increase in this area.

I also note that, you know, since the plan has been developed, you're now, sort of, a subsidiary of a company with a very strong IT capability. Are you still going to need that 97 IT staff, you know, now you're part of a wider group? Are there merger savings that are going to be passed through as a result of this?

**Phil Swift – WPD**

Yes, well - I think if we also look back to pre-National Grid, we were part of a bigger group before, Bob, so it isn't as if we were a lone entity, WPD, and then have been absorbed into a much bigger collective. We were part of a bigger collective that did share a lot of IT in terms of information and capability, if you like, certainly in learning and best practise and the same with cyber as well.

It's too early, it's too early with our new owner to determine exactly, you know, where, or what synergy benefits may accrue. What we do know is if you look at our benchmark, IT costs, I think you'll find actually they're very low and certainly our level of resource in IT has always been probably at the front lead in efficient position.

What we're doing is reflecting that need to increase our capability into - increase our ability to deal with additional data, protect that data and ensure our customers then are actually able to utilise the data and if you look we are the first company that's actually put real live information on our network state onto the, you know, out there into the real world, as it were, for people to be able to access it with, I think, 57,000 data accesses per month.

So, you know, this kind of capability is building and the push from customers and wider stakeholders with technologies, which I believe ultimately will be better for UK customers in terms of driving efficiency through our network, is where we've got to be and we can't be a blocker to that.

**Bob Hull – Challenge Group**

So, no - thank you - I mean, clearly this is an area of detail, and I would hope Ofgem would be looking, sort of, further at this, but clearly, it's a very significant increase compared with your peers and, you know, obviously, it sort of jumps out as an area of focus.

Perhaps if I could move on to a, sort of, second question, relating to benefits from your DSO activities.

During ED1 you claim you've deferred about £40 million of reinforcement from your DSO activities. During ED2, again, you're targeting a saving of, I think, £94 million, but you're having to spend £260 million, as I understand it, on your DSO activities. I suppose I have two questions about this. One - how is this going to be split? Where is this 94 going to come from? Is this from flexibility auctions or is it from system optimization?

And when you look at this compared to your next door neighbour DSO, which is making more significant savings, you know, the £94 million, while significant, appears very low and unambitious. So why is your target so low and appears to offer so little value for money?

**Phil Swift – WPD**

Well, I don't - I'll be absolutely honest with you, I don't recognise the numbers that you're talking about in terms of cost because I think it's £10.9 million, we're saying to deliver the £94 million of upside benefit on reinforcement -

**Bob Hull – Challenge Group**

So, I think, if I can just state on the – on your submission to Ofgem those costs to total that amount.

And, you know, certainly, we've had that data checked by yourselves.

**Phil Swift – NPG**

Well, that's, as I say, that's not a number I recognise, so I need to understand what's being included in there, because, you know, are we talking cyber, IT, DSO? But look I think the key thing is recognising that, you know, we are looking and striving to do more flexibility to avoid traditional reinforcement costs where there's a cost benefit for the customer. What I'll do is I'll ask Alison to step in because Alison can provide more detail around that, Bob, in terms of the actual numbers and what it is we're looking to do through ED2 in that space. If could hand over, Alison?

**Alison Sleightholm – WPD**

Yes, thank you, I thought I'd just add some comments to what Phil said, Bob, about the £94 million of avoided reinforcement.

Firstly, I'd say it's building on a current track record where we've done £40 million of avoided reinforcement and that is not putting copper in the ground, and we've captured those costs because that has a real impact on customers' bills. I think I've struggled to do the comparison with other network operators because there are other cost benefits that will happen, but we haven't counted them if they don't directly flow back to our customers.

So, there are many wider benefits. There are the societal benefits, there are the benefits for people contracting for flexibility, not through WPD and local flexibility, but those are not ones that our customers' bills go down with as a result of, so we've stuck with our pure reinforcement savings. I completely accept that if we did that cost benefit on a different basis, you would get a larger number, but we've tried to be very clear about the costs that we've captured.

**Bob Hull – Challenge Group**

I mean, I think what I would say is clearly it's an area of concern. You do seem to be an outlier on this, and you know again, I would suggest this is an area that Ofgem wants to look at, sort of, quite closely.

**Alison Sleightholm – WPD**

And I'd welcome that because the costs are, as Phil said, £10.9 million for £94 million saving, but we probably need to unpick that offline.

**Bob Hull – Challenge Group**

OK, I think that's the last of my questions. Thank you very much, thank you.

**Martin Cave – Ofgem**

OK, can I now pass on to Duncan McCombie, who's the chair of the Customer Engagement Group.

**Duncan McCombie – CEG**

Thank you Chair. Good morning, everyone.

Supporting the transition to Net Zero is the biggest challenge WPD faces for this business plan. We welcome the commendable evolution in your approach to achieve Net Zero and your commitment to ensure your words - customers can easily connect low carbon technologies without delays - is good for customers and for Net Zero. But how will we know if that commitment is delivered? Specifically, how will it be demonstrated it is working for customers with financial consequences for WPD if it's not?



We've scrutinised and challenged your plan on behalf of customers, bill payers and stakeholders, and we've sought justification from you on your plan, the commitments and approach. Over the last three years we've seen some positive changes, but there's more to do.

Throughout the process, we've challenged WPD hard, and you've responded positively. We've encouraged you to be ambitious, innovative in the proposals that you've tested with customers and stakeholders throughout your well executed and robust, extensive engagement process.

We agreed criteria to ensure that your plan was properly justified as Alison mentioned, and your plan has significantly improved from your early versions.

As you've said, when tested, 80% of customers find it acceptable, but that does not translate into benefits that will be relevant and flow through to customers.

A lot of attention has been focused on paying for reinforcement through uncertainty mechanisms for connecting low carbon technologies, but we don't see anything in your business plan or Ofgem's regulatory framework that will hold you to account for delivery.

My first question; do you accept there needs to be a set of clear metrics backed by financial penalties to show your progress to Net Zero for new connections, both domestic and commercial, is not just on the number of connections, but on whether there are any delays or frustrations for customers wanting to connect but unable to do so?

#### **Phil Swift – WPD**

Thank you, Duncan, for the sort of recap on the process, but also obviously the question, I think when we look at what we've currently got it, you know, within the regulator construct in terms of measurement and metrics, you know, we've got our 76 outputs that you're aware of that we put into ED1, and we measure those on our on our annual reporting, which is available for all stakeholders.

I think when you when you look at the - going forward and we're talking specifically, I think, the question around LCTs, whether they be, you know small domestic, small SME or large, in fact, you know, it's how we make sure that we demonstrate we're delivering that as much about the money, it's about the delivery and the metrics and how are you being judged on your performance.

And I think that, you know, we've always been right up front and very, very keen to be judged on our performance in reality. We know that around - you know, when we look at incentive mechanisms, we've always strived to deliver on incentive mechanisms and when you look at the measures that are already in place from Ofgem, so we've already got obviously the broad measure of customer service. Currently, that covers, you know, domestic customers but as you may be aware - as our CEG - I'm not entirely sure - we actually voluntarily - we do already do another audit using the same people for our major generator connections and then we track, and we hold ourselves to account on that.

Likewise, if you look at time to connect and time to quote that exist for SSA and SSB at the moment, we track all the categories. There's obviously incentive around SSA and SSB. I would suggest that there's also an opportunity there for the sector for Ofgem to, if they wanted, to call out specific LCT technologies within that and to separate those out. That might be a sensible step forward, Duncan, which would allow you to actually say - well, if it was an EV, or if it was a heat pump, or if it was a piece of renewable generation that there's actually - you can identify, you know, did we hit the time to quote, did we hit the time to connect requirements of those customer? And so we've got that.

In respect of actually delivering the volumes, obviously, we're all aware we've got the uncertainty mechanisms built within our plan. You know, we went from our third business plan in July to our fourth business plan, the final one, in December.

We were challenged on our third - our draft plan around making sure the bill was understandable and so we've always had in mind our best view in terms of volumes and outcomes for ED2.

And we've actually - we moved to say that this is this is our view, this is what the bill is based on but then we put the uncertainty mechanisms both up and down around that, and as I understand it, we're looking at an annual iteration process so that customers are only paying for actually what is delivered year-on-year rather than waiting to the end, and certainly that's absolutely right, because then, you know, we're not being given money for things that we're not actually delivering for our customers. So, I think that within that framework that exists it, it wouldn't take a lot of thought or tweaking to be able to get specific measures as part of those that exist that give all of our stakeholders on the call today and yourself as CEG and the CG and Ofgem the right levels of assurance that we are actually delivering what our customers want and delivering in line with what we said for-ED2.

**Duncan McCombie – CEG**

Thank you, Phil and Chair, in the interest of time I shall hold my second question if that's all right and pass on to your stakeholders.

**Martin Cave – Ofgem**

OK, I'd just like to ask a question on Ofgem's behalf, and it's to do with your ongoing efficiency target of half a percentage point, which is substantially lower than that of many distribution companies and obviously cumulatively over a five-year price control period it makes a huge difference to your costs. Can you explain why it is so low?

And I also think it may be relevant to hear that the National Grid paid quite a substantial amount of money for WPD and it might have been on the basis of an expectation of higher efficiency levels.

**Phil Swift – WPD**

Thank you, Martin. Yes, I think when you look at the efficiency and the ongoing efficiency it is really important to look at the efficiency that we're building and we're building in from day one, and certainly we looked at what we thought we could achieve in the remainder of ED1 so that it's actually there from the start of ED2 rather than it being, you know, an efficiency that, if you like, is ongoing, providing that you actually deliver it. So for us, you know, we've baked in, as we call it, baked in, I'm not sure that's the right expression but excuse me on that - over £720 million worth of efficiency, so we've looked at where we are, we've looked at what we can do, we've looked at some of the savings we can see on the horizon and we're committing to those, actually, from day one. We're not expecting our customers to be waiting for those, you know, through the five years of the price control and then we've delivered the half a percent that you're quite rightly calling out there on top of that per annum going forward.

And we recognise that, you know, we sit in the mid-pack, you know, we know that, Martin, at 0.5. The independent review that was done by NERA suggested that the range was 0.1 to 0.5 and we've gone to the high end of that, the top end of that, and I think, you know, when you look at those two things in combination rather than purely focusing on the ongoing efficiency, year-on-year, I think we've got a very credible business plan in terms of the efficiencies that we're giving customers over the whole period when you look at what's there from day one, and then what occurs in the subsequent years.

**Martin Cave – Ofgem**

OK, I'll just see if my Ofgem colleagues want to ask additional questions - I think the answer is yes.

**Christine Farnish – Ofgem**

Well, can I - I wonder if I could come back on the efficiency point. I mean, I've worked in a number of organisations over the last thirty years private and public, varying sizes. I can't remember any of them that didn't have baked into their annual budgets efficiency targets of more than 1%. Some of them went as high

as 5% per annum. So 2 to 3% would have been pretty normal. I'm astonished you can't be more ambitious in this area bearing in mind, you know, the opportunities that there are in large organisations and taking advantage of technology. I mean, you yourself say that 'we're ensuring a business wide culture is in place to deliver innovative and digitised solutions to drive efficiency and smarter ways of working at every turn', so this half a percent just doesn't float my boat, I'm afraid.

**Phil Swift – WPD**

Well, I take the observation, I take the comment and I take that on board, obviously.

I think if you look at our whole plan in the round we talked about the, you know, the level of investment that we see that we need to make in the network and the efficiency we're baking in, as I say, through not increasing, you know, significantly in - or in relation to - you know, some of our indirect costs, and I think that we've taken a very honest, very pragmatic view and said this is what we're going to achieve, and we've put it in upfront, and so you know additional to that, it is half a percent.

You know, we came into ED1 as a fast-track company, as the most efficient company, and so you know again, it's always a challenge and I take, yeah, and if I thought there was lots of fat to go at that would be a different position, but I think that we've got a very credible position, I think that we've got ambition to be more efficient and that's in there already, and I think that customers are getting an overall, a very good package in the context of what we're doing for stakeholders and Net Zero.

**Martin Cave – Ofgem**

Well, obviously this is something that we'll be looking at quite closely. I think I'll now hand over to Steve to come to comper the questions.

**Steve McMahon – Ofgem**

I will do and I'll come to stakeholders in a bit. Phil, can I just pick up on the efficiency point because you mentioned fast track in there. I keep hearing from a lot of the other networks that fast tracking gave you an advantage in ED1, but I think, in your own words, you said you were in the pack there when it came to efficiency.

So, what benefit has fast tracking has actually delivered? What benefit for your customers has that allowed you to put forward in your ED2 plan when on the face of it, a lot of the stuff looks very similar?

**Phil Swift – WPD**

Well, I'm not sure I necessarily recognise all of what you said there, but again, I think when we came into ED1 - one of the benefits of being fast tracked is, obviously, our plan was laid out, Steve, as you are aware, and we were able to implement our plan and in fact we were able to get, I'd say, ahead of the curve, you know, we were able to start making those decisions we needed to make and how we were going to deliver ED1 earlier than actually coming into ED1 and then having to do that. And I think that gave us some certainty and I think, you know, I think price controls - it's a balance between certainty and risk, and we talk about that with the risk equity beta and everything else. But for me, you know, ED1 we had an efficient business plan that was recognised as being efficient and we came through into ED1 to deliver it, and we're striving, now - you know, we recognise where we are. We recognise our cost in the data, I mean, we are able share all - obviously, all the information's available to Ofgem. You'll have more information than we will have in that respect, but we're building our ED2 plan off the back of the progress we've made on ED1, and I think that that change is recognising that we've got to do better going forward because businesses - if you stand still, you're not going to succeed, and so we've taken the view - let's get on. Let's do it. Let's commit to it, absolutely drive, through the business, the need for innovation and efficiency.

And by putting that up front as a - basically straight out of the totex request, that's setting us - that's setting us the challenge and setting us the risk, if you like, in that respect, because we're not saying we might be able to deliver something, we're saying from the start, that's where we're going to be and that allows us also to put that through into the bill, you know, in terms of the - and saying, well, this is the bill impact and hence that we can keep bills flat. So, I think it's - I actually think it's the right way to do it, but, obviously, others will have different opinions, including our peers.

**Steve McMahon – Ofgem**

Ok, just quickly, I'll go to Ben and the team on cost and then we'll go to, I think Cheryl Hiles from Energy Capital on behalf of the West Midlands Combined Authority. So, Ben, you first.

**Ben Burke-Davies – Ofgem**

Yeah, thanks Steve. I just wanted to come back on the point that Bob touched on before where we're talking about IT and telecoms costs. I mean, in your business plan on page 128 you refer to spending £79 million a year in ED1 and that's going to rise to £171 million a year in ED2.

Now, I work that out as an extra £460 million over five years. That's an enormous amount of additional cost on IT and telecoms. What is that actually buying?

**Phil Swift – WPD**

We've got a lot of work to do on our IT, so in terms of servers, in terms of, you know, hardware in terms of applications. It is very much, as we know, a progressive moving world that we're in and we've got to step up to the mark and make sure that our systems and our applications are fit for purpose. I've talked about cyber before as well.

What I'll do in a minute, I'll perhaps - I'll hand over to Graham to talk about some of the telecom type activities that we do and what we need to do to really digitise the sort of communications and everything else between our network and obviously our control centres and if you look at the journey, you know, over history you'll see that we've always had levels of SCADA and telecontrol as you'll be well aware.

That is moving beyond the EHV – the 132KV and the, sort of, down to 33 KV, you know, it's moved through DR5 in ED1 very much into your 11 KV primary network, and now it needs to move down to the low voltage level so we can start to really understand what's going on there.

So there's a whole suite of things in there in terms of IT, and obviously the cyber that I referred to. So, if I just perhaps hand over to Graham to for a little more detail if that's ok?

**Steve McMahon – Ofgem**

Yeah, briefly, Graham, thanks.

**Graham Halladay – WPD**

Sure, no problem. So, I think, you know, today it's about having that visibility of the network, visibility of what our customers are doing to ensure that we can always deliver everything that they want. So, you know, part of the work that we're doing in ED1 and continues in ED2 is making sure that we have the right data coming back in the right timeframes so that we can use that data, but not only us use that data, also make that data publicly available to our customers and our stakeholders, so that not only us - but everybody else - can make decisions based on the accurate data that we're gathering and to do that, we need to invest in our systems. We need to invest both out there on the network and our control systems and, you know, making data available publicly to ensure that we can really drive the benefits but also society can drive the benefits from a smart energy grid.

**Ben Burke-Davies – Ofgem**

Ok. A lot of costs though to deliver that.

**Steve McMahon – Ofgem**

Yes, thanks Ben - Cheryl Hiles?

**Cheryl Hiles – Energy Capital**

Thank you very much, Chair. Thank you for this opportunity and apologies that Mayor Andy Street's unable to be with us today but rest assured he's very interested in the outcomes of this process.

So, obviously we welcome the strengthening relationship between Western Power Distribution and the places that they serve and note that Western Power Distribution in their business plan acknowledged the importance of liaison with those responsible for place and they have looked to establish new roles within their new business plan to support that, but we particularly believe that WPD need to recognise how important the data they hold and the decisions they make are as well as other energy network operators in actually influencing and shaping best value decisions locally to achieve green growth. So, I wonder whether WPD could just tell us about how they actually plan to make their engagement with local authorities and others really meaningful.

How they can try to ensure that the energy, spatial and transport planning processes which work to different cycles and are regulated by different bodies are actually integrated and mutually reinforcing, and how they can actually empower the engineers that they're talking about recruiting to engage in a way that ensures that investment is being directed to achieve best value for local communities, both through this business planning process and through the uncertainty mechanisms?

**Phil Swift – WPD**

Thank you very much for that question. I think one thing I'd say is when I - well, I'll ask Alison to answer in just a second - but what I would say is I genuinely believe that we've never been more robust in our engagement, and quite rightly so because I agree with everything you've just said and it is really, really important that we really understand our stakeholders and to your point, you know, whichever sector they're in, whether it's a local authority, whether it's transport, heavy industry, you know, or combined and clearly, you know, with the organisations such as yourselves, we're getting a much, much better and clearer and joined-up understanding of where we are on that and I think that the bottom up approach we've taken in engaging with 130 local authorities and as you know, we haven't sort of written a - sent something and had a tick box response - this is positive, proper, in-person, wherever we could, obviously, subject to COVID - engagement to really understand and really - diligence on both sides, you know, where we are, but if I hand over to Alison, I think Alison can probably put some more colour on what I've just said.

**Alison Sleightholm – WPD**

Yes, thank you, Phil and hi, Cheryl, -good to see you. I think your question has three parts and I'll try to do them quickly, but cover each of those three parts. I think firstly, how do we make engagement with local authorities meaningful? And Phil used the words in his opening remarks - it has to be bottom-up. We have to work alongside our stakeholders and ask them what is it you want to do? Not - well, here's a network and you're going to have to fit around it. So, I think firstly, for me it's about meaningful bottom-up engagement, and as you know, we've been doing that with our local authorities and other stakeholders since 2016.

So, we're into our sixth iteration of annual engagement with stakeholders. We were the first network operator to publish a DFES. Every year since, we've refined what we've published to meet the needs of our stakeholders, so we publish the DFES, we tailor it to local authorities, we provide the data and every year that data gets richer and more players come into that DFES and that's your integrated point, I think; it's local authorities, it's county councils but it's also all of our potential connectees, be they generation, demand, EVs or heat pumps. It takes us into heat, it takes us into transport, and I think that can only grow and we're on a journey, so that's my response to how do we make it integrated.

And then I think your final was about how do we empower the new - I think you're talking about the local authority engineers that we've talked about in our plan - how do we empower them? And firstly, what I'd say is we approach this at an absolutely senior level in WPD but our approach to engagement has two core elements to it.

Page Break

One - It is centrally coordinated, but it's locally delivered, and so you get that rich local engagement from our local employees who understand the local network but it is centrally driven, and the other core tenet is engagement must mean - must lead to action, and it therefore isn't just about the engagement, it's about all of the things that you can see on our website, whether it's our first DFES, whether it's the first company to do a DNOA with network options, whether it's all of the information that we publish on what we're, you know, what we are doing, and I think it's that approach that will only get better and better that will drive us and our stakeholders to where they want to be for Net Zero.

### **Steve McMahon**

Thanks, Alison, thanks Cheryl. I think we've got Polly Billington from UK100. Hopefully Polly's camera is enabled and can follow up on a similar theme I think. We'll try and sort out Polly's camera.

If I may just pick one, in the meantime, I think, your presentation said that you were a leader in DSO, but I think the Challenge Group assessment of your DSO plan was that it was high-level and lacking ambition and I think it was only after your final plan was submitted that you took the steps to put in place a separate DSO director and that came after some extra probing, I think, from my team on why you were an outlier in that regard.

So, do you think that that gives us confidence in your setup around DSO? So how are you actually going to ensure independence of decision making and manage conflicts that drive the sort of benefits for customers that a proper DSO function can clearly offer.

### **Phil Swift – WPD**

Yeah, I mean, I think that's a fair question, Steve. I mean, you know, actions speak louder than words and so we can all write lots of things down on paper about what we might be doing on DSO but when you actually look at what we have done on DSO, you know, we've actually contracted the most amount of capacity and we've actually dispatched the most amount of capacity as well. You know, it's one thing to say you've signed contracts, it's another thing to actually utilise it to avoid reinforcement that we would have had in ED1.

When you look at the conflict-of-interest type debate, look - we've had a lot of dialogue with Ofgem in particular, and we understand the wider stakeholder view on whether we can, you know, adequately demonstrate that level of independence, and so that's why we've taken that decision to move it under a different directorate.

I certainly don't think we should be criticised for doing that now, you know, we don't stand still between business plan and reality, we've got to keep moving forward and so we recognise that. That's a sensible thing to do, and I've been in meetings with yourselves and others in Ofgem over the last three or four years, and I've been very open about – you can come and look at our open governance on DSO and how



we go about determining flexibility rather than traditional, and I've offered that - I could go back over numerous presentations and say we stand ready for you to come and scrutinise what we're doing. If you look at what we've done going into ED2, all of our forecasting and all of our network options assessments have been done by the people in DSO. We are functionally separate already.

The guys sit in a different part of the building. They report through the DSO, but we recognise that they ultimately come back to the Operations Director, who currently has - who has both disciplines and hence we've committed to that separation going forward, and I think that's a sensible thing for us to do, Steve, that should allay those fears. In terms of whether we believe we're leading, absolutely we have led, and I would challenge anyone to prove that they did anything of any note in front of us.

And when I look at the flexible power and the ability to actually - to put your requirements out there, you know, we've gone out with our requirements of megawatts where the megawatts - you know, locational, time of day, time of month, time of year - that's all on our system out there and flexible power is now a product that we developed through innovation that's now being used by five of the six DNOs, so I don't see that others can say they're leading when we've created the systems that they're now operating on, so that would be my push back.

#### **Steve McMahon – Ofgem**

OK, I guess my key thing is just make sure you're not resting on your laurels. I think the DSO role - I think we agree it needs to grow in terms of its place in the local energy system. I think going beyond just a traditional optimising the network, so maybe I'll bring Polly in - hopefully I think, we've got Polly in to follow.

#### **Polly Billington – UK100**

Thanks very much, Steve. It actually follows on really well from the conversation we've just been having, particularly with Cheryl. We noticed that you've got four members of staff to do the engagement with local government. How senior are those staff going to be and what will you consider to be success by mid-2024 in terms of demonstrating real strategic engagement is taking place rather than business as usual? This goes to - actually Cheryl's asked a follow up question on local area energy planning which is really important rather than just, kind, of doing normal day-to-day work on connections.

And also just make the observation that local government is a really useful and helpful partner for DNOs on tackling things like understanding where your vulnerable customers are. The pandemic has demonstrated that more - better than any other institution in the country, local authorities know where their vulnerable residents are and so that this could actually be quite a constructive two-way partnership. I'm just anxious that if there's only four of them, they better be really senior and they better be really strategic.

#### **Phil Swift – WPD**

That's a couple of really, really good points, so I think I'll take the - Polly, I'll take the latter part first, so in terms of local government and engaging with local government to understand, you know, where vulnerable customers are - absolutely spot on and in the last storm - I could get Graham to talk about that, you know. We, for instance, looked at understanding where critical points were on our network in terms of the support we could offer so whether that's care homes, hospitals and all the things you'd expect to expect us to, and certainly the storms themselves.

I mean, thankfully in WPD service territory we did get everybody back on despite the incredible level of the weather effect, particularly in the Southwest in quick time but I agree, absolutely, that there's an incredible opportunity there for us to make sure that we can take that information and that knowledge that you have, and make sure that's within our, you know, our envelope that we can understand that and adapt our service and tailor our service and what we can do in those situations appropriately to give better

outcomes. Whether that's in a storm or more broadly, as we look at fuel poverty and vulnerability going forward. What I'll probably do is I'll hand over to Alison to talk about - a little bit more about that, but also about those community engineers and all I'd say on the community engineers is – you know, these are - we see these as dedicated people who are totally committed and have got the time and, if you like, the resource to be able to do that engagement that we think is really important. That doesn't mean that the other people and the local area distribution managers and the people you have met in lots of stakeholder events - you know, we see that as also really important. So it isn't that we're substituting, sort of, the other engagement and the other interaction we have, we're overlaying these people on top of that but, Alison, perhaps you could expand on that for me.

**Polly Billington – UK100**

Yeah, I would want to get some confirmation that it is going to be a, sort of, strategic engagement on this because if it's just day-to-day connections, we're not really going to have the transformation of the system that we really require.

**Alison Sleightholm – WPD**

Absolutely, and I can give you that reassurance. I'll try and keep my answer brief because I could talk about this one all day.

It is - I think we've already sort of talked - in my response to Cheryl I talked about the iterative and enduring engagement and that long-term relationship that we have with our local authorities and that will only continue but it does exist all across WPD, so it isn't just four people, it's four people plus the embedded business. But I think what those four will bring is that strategic overview and it comes back to my point that's about centrally coordinated, locally delivered, and it's about how we bring it together at the centre, but then allow it to be delivered locally.

I think there's huge power in what you said about working with local authorities to identify vulnerable customers. We already do that, but I think it will become part of the local energy planning process and you can see how you can actually drive out things for vulnerable customers that might be in the flexibility space or working with health authorities.

So, I think there's a whole range of partners that we can bring in, and I think we've done a lot. You know, I'd like to say that our track record is we've done five times more for vulnerable customer support than any other network operator. We're not complacent. That probably isn't enough, but I think it gives us a great platform to build on and one of the projects that we're doing and might get time to cover this - perhaps in the second half - is a project called Smart and Fair, and that unpicks what we can do to support vulnerable customers to Net Zero, and I think that's absolutely crucial for me. That's taking that principle - no one left behind - and turning it into a reality.

**Steve McMahon – Ofgem**

OK, thanks Allison. I think we're going to go to Kieron Stopforth from Octopus - we've got Kieron's camera enabled?

**Kieron Stopforth – Octopus Energy**

Great - hi everyone, thanks.

OK, great, so one thing we'd like to pick up on is that WPD plans to make use of a combination of aggregated smart meter data and new substation monitors in order to ensure LV networks are only upgraded when strictly necessary.

Our question is how will WPD measure the success of this approach and ensure that best practise is shared with other DNOs so we can see a consistent approach across the networks?

**Phil Swift – WPD**

Yeah, thank you Kieron. I'll ask Graham to pick up on that momentarily. I think overall we have tried to take, you know, a very balanced approach to substation monitoring, which is obviously another investment that we'd be asking you know money from customers basically to fund, obviously, and making sure we can leverage the smart metering data as that builds and I think, you know, that smart metering data is going to be quite informative and quite powerful, you know, certainly as the meters go out onto the network and hopefully we'll get to 100% at some point, but if I ask Graham, he can expand a little bit on that.

**Graham Halladay – WPD**

Yeah, so - thank you, Kieran. The, you know - the approach, as you say - that we're taking is, you know, ensuring that we're doing this in the most efficient way.

So, you know, using smart meter data where we have it but also using technology to estimate where we've got missing smart meters and then only investing in LV monitoring where it's really essential to do so.

But, of course, what we're also looking to do through DSO is, and through flexibility, and with, you know, suppliers such as yourselves and aggregators is working with them to actually change the behaviour of customers such that we actually pay for a service as such that that does defer the reinforcement. So, and - we're absolutely now seeing that, you know, through the use of monitoring, but also the use of flexibility markets that, you know, it isn't just monitoring for monitoring sake and then driving a reinforcement plan, it's monitoring to understand, to have insight and then working with, you know, other parties through markets to actually look to change customers' behaviour where that's possible.

So, actually, you know, we avoid the reinforcement altogether. I think to take your point about like sharing that, you know, some of that work is done through our innovation project. So those - that information is absolutely shared out there as part of those innovation projects anyway, and we've got a number of projects that we're running at the moment to further understand the mix of heat and also electrical energy use, EV charging within homes, to drive flexibility and that - all that information will be shared, you know, as it's part of an innovation project.

**Steve McMahon – Ofgem**

Thanks Graham.

Can I just follow up because I think if I've understood - and you're right, LV monitoring, there's different ways you get the data, but from your plan it seems that you're only proposing to make 60% of your network data available via an interactive application programming interface. So why isn't that figure higher?

**Graham Halladay – WPD**

So, you know, we'll be, you know - from a perspective of gathering the data, we'll be gathering the data across our entire network and making all of that publicly available.

But what we're not going to do is install LV monitoring across our entire network, because we don't feel that that's the most efficient way of delivering it. We can deliver that through the use of smart meter and state estimation to actually have, you know, very good information about what's happening out on the network without spending customers' money again to install LV monitoring.

**Steve McMahon – Ofgem**

OK, I'll come to - I think we've got Andy Manning from Citizens Advice, I'll come to Andy last and then I'll hand back to Martin, the Chair.

**Andy Manning – Citizens Advice**

Thanks, Steve. Hello Phil, hello Alison, hello Graham. Phil, you mentioned the balance of risk and rewards. I just wanted to explore that a little.

So, I think what we've learned - what we knew from today is Net Zero is clearly an opportunity for your business to grow the business, grow the regulated asset base as you make the necessary investments, and Alison mentioned uncertainty mechanisms protecting consumers, but those mechanisms will also protect you as a company by ensuring you've got funding when you need it.

So, there seems to be less risk than previously about funding not aligning. So given that there's big rewards, potentially less risk than previous price controls - how do you justify asking for a higher cost of capital than Ofgem's working assumptions on the basis of an increased risk?

**Phil Swift – WPD**

Yeah, I don't think it necessarily de-risks the, you know, the business in its entirety by any stretch. I think what we've actually sought is to make sure that we, you know, we balance that to make sure that customers aren't funding things that we don't do and I think that when you look at, you know, the financial controls that Ofgem have proposed and are putting through in ED2 around incentives and around the, you know, the maximum return that a company can make, you know - so customers are protected at the higher end to a cap in terms of, you know, the cost of equity plus, at the moment, the proposal's 300 basis points of outperformance and for outperformance you then, obviously, have to deliver a lot of things to get to that point because of the recalibration on the actual - where the starting point is.

I think the move to go to our best - WPD best view, you know, you can look at it either way and I fully understand that. We were criticised on our previous plan for potentially confusing the position and customers and stakeholders in terms of presenting a bill impact that was potentially materially lower than where it may end up on over on ED2, and so, you know, we took that on board in terms of that stakeholder engagement and that feedback from key stakeholders.

And so OK, well, let's set out, you know, we do believe our best view is where we're going to be, but we need to provide, you know, that assurance, so it was - it was an upside only in our previous plan and in our final plan that's been submitted it's a symmetric uncertainty mechanism to make sure that, and as I said before, I believe it will be an annual iteration so that we're not - we're not taking customers money for things don't need to do.

The other thing in terms of the overall financial package we believe we've got the lowest cost of equity, you know, based on the information we've got, we haven't got all of the information and I'm not going to talk about that but we believe that we have and we believe it's an appropriate level to give us the overall financing and the overall, you know, investment grade status that's actually going to allow us to make sure we can access the markets at an appropriate level and deliver those - deliver those investments that are needed to get to Net Zero. So, I think it - I think in the round it is a very balanced view that we've got and the set of mechanisms - the mechanisms in there, excuse me, you know, to protect customers.

**Andy Manning – Citizens Advice**

So just to follow up - just some specifics, Phil - so in terms of the uncertainty mechanisms, would you agree that the advent of the uncertainty mechanisms makes ED2 less risky than ED1?

**Phil Swift – NPG**

No, because I think there's still a level of risk in there because in our uncertainty mechanisms we've gone with efficient, you know, we've gone with efficient benchmarks as well, so we've actually got to hit those efficient benchmarks on the volume, so it isn't - it isn't a question of - I actually understand and I get your point - obviously, well, you know if it's more, you get more, you know, if it's less, you get less - but in terms

of those actual, you know - the way we've established those, they are tough unit costs that we've actually put in there to protect customers and again, it does drive our - it drives us to be more innovative. It drives us to me to be more effective, more efficient in what we do, and I think that's a good place for consumers to be.

And if you look at the other things, if you look at our - the EJPs we submitted for the larger investments, you know, we're just shy of two hundred EJPs submitted and again, you know, we - there's an element of risk in those as well, on those investments, in terms of, you know, a sort of - the way we've set those to adjust up and down. So I think - I think overall, no - I don't believe that it puts us in a different position to ED1 from a risk basis.

**Andy Manning – Citizens Advice**

Thanks, Phil. I'll hand back to you, Steve.

**Steve McMahon – Ofgem**

OK, maybe going back to Martin's point at the start that the premium that's being paid, I think, for WPD and some of the other premiums that I've talked about in the industry suggest the reality is that this is a safe bet, I think low risk sector, but Martin, I'll hand back to you.

**Martin Cave – Ofgem**

Well, thank you for that and thanks for those of you who have stuck with it so far. I'm going to propose now we have a three-minute break to enable me to recharge my water supply, but in literally three minutes we'll be back, and we'll be dealing with the thematic session two. Thank you.

**BREAK**

**Martin Cave – Ofgem**

So, we're now engaging with thematic session two: delivering world class services and ensuring nobody is left behind, and we're beginning on this occasion with questions from the Customer Engagement Group and from Martin Crouch. So I'll hand over to him.

**Martin Crouch – CEG**

Thank you, Chair. So, I wanted to pick up on the themes of affordability and accountability for delivering those services that we talked about.

As a CEG, we welcome the extensive stakeholder engagement that's contributed to WPD's plan and that back in the autumn when they tested the plan, most of their customers supported the plan, but I think, as we've already talked about today, there's still a challenge in whether it can deliver better value for money, and we think there are areas where it might.

We recognise Ofgem will have a role in benchmarking against the other distribution companies.

The one observation I would add to that is we think it's really important that some of the - in some of the initiatives around digitalization and innovation, for example, sometimes the words in WPD's plan are better than the numbers, and we think that it's really important the benefits of those initiatives, which we think are quite substantial, flow through in full to customers and that in any attempts to reduce costs that that's done in a way which preserves those benefits from taking more action on digitalization, innovation and so on.

Turning to the accountability of WPD's plan, we think the plan could be a bit clearer in terms of the results - the outcomes that will be delivered for customers.

In a number of cases, the plan describes what WPD commits to do, rather than the outcomes for customers of those actions.

For example, in several of the commitments WPD talk about committing to having a certain number of meetings with Community Energy Groups, with local authorities, and so on, rather than what positive impact those meetings will achieve for customers. So, our first question in this area was, you know, recognising business plan commitments need to show clear results that you'll achieve for your customers rather than just the number of actions that you need to take. When we look back on this, when your customers and stakeholders look back on this in three years, six years - how will they be able to tell what benefits your commitments have delivered for them?

**Phil Swift – WPD**

Thanks Martin. I'll ask Alison to talk a little bit about this. I think that I'll just, you know, open the response with the point that - yeah, as you're aware, there's been a huge amount of engagement with stakeholders to create those core commitments and we believe there is a clear outcome, an impact, for all the ones that we've put in there, but Alison, perhaps you could pick that up for me.

**Alison Sleightholm – WPD**

Yeah, absolutely. Hi Martin, good to see you.

I think it's a really, really valid point. I think for me the core commitments in WPDs plan - firstly, everyone is listed. You can go and see all forty two and you can – and those, as you know, have been refined because we published three plans and we changed those commitments as a result of that engagement, and that was that huge acceptability that I talked about in the presentation, that 87 to 97% acceptable and I'd like to think that customers wouldn't have given us that level of acceptability if they thought all we were going to do was we was hold a meeting.

But I absolutely take your point. Within the plan we list for every single core commitment what the impact will be. But what we're working on - because for us, stakeholder engagement, isn't just about - you do it for a business plan and you give up and you come back in five years, it's about - OK, so we've agreed our core commitments with our stakeholders, we've said what the impacts will be, but it's how do we now turn those into KPIs? And when we've turned them into KPIs, how do you as a stakeholder - everyone on this call - know that we're being held to account?

And that for me I think is - firstly, you know, 1) we have a track record. We've got a track record of leading in this area, but we have said that what we'll do for ED2 is we'll be held to account by our stakeholders, we'll publish the results against the KPI's or have a business plan delivery group that hold their feet to the fire and I think your final point – right, so what does that success look like?

Based on prior experience, I think if you work through what you're planning to deliver with your stakeholders and your strategies to deliver, you deliver what you said you would do, but you deliver it in a better way, you deliver it in a richer way, and very often you deliver more besides, that's what success looks like for me.

**Martin Crouch – CEG**

Thank you, Allison and Phil, and I guess the - maybe the corollary of your confidence in delivery is in - if in, for some circumstance you're unable to deliver, presumably there's no problem in then handing the money back to customers.

**Alison Sleightholm – WPD**

Absolutely not and we did do that with rail electrification, which is, I think, what Phil mentioned in his opening remarks.



**Martin Crouch – CEG**

Great, so then picking up your point about, which I completely agree with, that customer engagement, stakeholder engagement isn't something you just do for the business plan, it's an ongoing issue. Absolutely right. So, from when you did your final acceptability testing back in the autumn on your plan, the world in which your customers and stakeholders are facing is totally different.

You know, we all recognise, I think, that the concerns about affordability have absolutely been dialled up beyond what I think anyone would have foreseen back then.

So given the importance of that stakeholder input driving your plan and given that the position of your customers and stakeholders has changed so much, would what you're proposing in your plan not change at all now? Are there things that you should change, you would want to change to reflect that radically different position that customers find themselves in?

**Alison Sleightholm – WPD**

Yeah, absolutely fabulous question, Martin, and there can't be anybody who's on this call today that won't be thinking about affordability, and I think that's what's at the heart of this question.

So I think the first thing to say is in terms of overall affordability we've already talked about how we've challenged ourselves to be efficient, how we've challenged ourselves to accurately forecast, and we've talked about our uncertainty mechanism.

We don't think we'll need to use that, and that's a really important point, because that means we are revealing what we believe the true cost impact on the bill will be.

I've talked about the commitments and how they apply to all of our customers, but I think for me this then specifically plays into - what is it that WPD do and will do for vulnerable and, particularly, for fuel poor customers, and I'm going to go back again to track record because we currently do five times more for fuel poor customers in terms of real savings in their pocket than any other network operator.

We've got 150 partnerships and you've got to have that platform to accelerate forward and further and therefore I think as we go, as that landscape changes, what we've got is the framework to do that, and we demonstrated that in part during COVID. We repurposed because we've got that network of partnerships, we refocused what our fuel poverty partners delivered, and we delivered differently during COVID, and I think you'll see those sort of shifts again.

And Phil talked about our, sort of, Community Matters fund. We introduced that to deliver real, meaningful benefits - 500,000 for COVID that benefited tens of thousands of customers by small organisations, which I think is a really, sort of, innovative model and way to do it.

So, if I just sat here at the start of ED1 and said what we were going to do for vulnerable customers or delivering the plan, there were a lot of things I wouldn't have talked about. You know, DSO, cyber, green recovery, vulnerable customer support - but they're all here and they're all happening and I think you'll see exactly the same in ED2, but the route to that is the relationship that you have with your stakeholders and the ability of your business to adapt and change to what those stakeholders want.

Thanks, Martin.

**Martin Crouch – CEG**

In the interest of time, I'll stop there - thanks, Alison.

**Martin Cave – Ofgem**

OK, well, I think I'll now hand the question over to Roger Whitcomb who is the chair of our Challenge Group.

**Steve McMahon – Ofgem**

Christine, did you want to come in because I'm conscious you've only got five minutes?

**Christine Farnish – Ofgem**

If I could, very quickly. Sorry to disturb the flow, but, I mean, that's all absolutely fine provided that your own shareholders are putting their hands in their pockets to fund what sounds to me like a corporate social responsibility programme of work, which is very, very laudable, but something that would be expected, I think, from a very large business of your scale and your reach.

So, the only difficulty I have with it is when you're expecting other customers who may also be really struggling with affordability to contribute to it through their own bills, which they have no choice over when it comes to your £100 or whatever it is, you're going to be charging them.

So, can you reassure me that, you know, you're going to be funding this yourselves from your own shareholder resources, rather than expecting hard-pressed customers who are struggling themselves to contribute?

**Phil Swift – WPD**

Yeah, if I start and then Alison, if I miss something, feel free to follow me.

So, we set out during COVID and that is purely funded by our shareholder. So, the money, the money that we've expended in ED1 has been very much about that.

We did that at the start of COVID, absolutely committed to it and what I was particularly keen - and Alison and her team and then our partner organisations, who we actually used to help do this rather than thinking that, if you like, we know it all, because we clearly don't - is we really wanted to go to grassroots organisations who really deliver benefit in the communities they serve.

So, this wasn't - let's write a cheque for £100,000, you know, times X number of times and, you know, we've met to your point, a corporate social responsibility tick in the box - not at all.

You know, we've helped hundreds and hundreds of small organisations because we know that actually at grassroots, the multiplier effect in supporting communities is huge and I always use the example of around me, you know, sort of Meals on Wheels, where you don't have to give somebody a huge amount of money, but the benefit, because it's voluntary organisations who are providing food for people, in terms of meals is enormous. It's enormous.

So, in terms of going into ED2 and what we're doing now - we've got extensive support for the package that we're proposing which is shareholder funded. You're aware that we've got a CVP in as well and what I would tell you is if we received any income from a CVP we would repurpose that money back into that Community Matters funding to overlay on top of the money that we're already committing to.

And if you look at what we're doing this year as well, we've already extended it ahead of ED2 to one and a half million pounds because we know that we're actually making a difference and I take the point relative to the scale of a business, you know, people can have different views on that, but we are absolutely, you know, impacting on people lives and impacting on making their lives a little bit better, and so you know, we take that, really, that responsibility really seriously.

**Martin Cave – Ofgem**

OK, I think we will now move on to Roger Whitcomb's questions, who is the chair of the Challenge Group.

**Roger Whitcomb – Challenge Group**

Martin, thanks very much and good morning everybody.

Really following on from the line of questioning that the CEG and Christine have put forward, it's to do with listening to stakeholders and consumers and how it actually affects what you're doing. I mean, you don't

really need that much stakeholder engagement to establish that affordability is a problem which needs to be sorted out.

So let me go another way and talk about the recent storms.

Now, you've told us that you aim to understand the regional effectiveness of your support for vulnerable customers when they have a power cut by following up with all those who contact you during the incident to ask for feedback afterwards, which is absolutely terrific, fine.

I guess my question is in the light of that – in the light of we've had some fairly extreme weather conditions with quite a lot of power cuts - what you have learned from that and how the plan has actually changed in response to that feedback from your customers.

**Phil Swift – WPD**

Yeah, and in terms of its - this probably sparked the question, it probably spans two or three of us, actually, there, Roger.

So, in terms of storm performance, I'd probably, you know, talk to - ask Graham just to pick up on our storm performance and the work that we did with the communities, and then perhaps Graham, if you pass that then to Alison?

**Roger Whitcomb – Challenge Group**

I mean that's fine, but just to be clear, it's really trying to get a feel for how the response from customers as to what actually worked for them, you know, where did you find out the gaps were in your support? You know you can't help the weather. What we're talking about is what you do about it in response, and my question is, you know, this is stakeholder feedback at a very concrete and grassroots level - what were the consequences?

**Graham Halladay – WPD**

So, I think you know, as you said, we've had a number of storms go through uncertainty, Storm Eunice, you know, was the biggest storm that we've experienced in the Southwest.

But, you know, perhaps to take your point about, you know how our business plan is going to change - actually those changes are happening now. You know, we're not waiting until ED2 to make any changes.

So, what did we learn from those storms? Well, certainly you know, we learned, you know, from the storm that happened, predominantly up in the north, northwest and northeast, that ETRs - estimated time of restoration - was a big concern from customers that those ETRs were moving on.

So, you know, that was a big focus of ours during Storm Eunice, to really make sure that we were giving customers an accurate picture of what we believed was going to be the estimated time of restoration. Not just put a default ETR in, not just keep moving it on every six hours, but really give customers a clear idea of when we think it was going to be back on. Now, clearly, during a storm that will change, but, you know, we really did focus hard on that.

The other thing that we learned from the storms was about that local engagement, engagement with local resilience forums and really engaging with them, really, you know, talking to them on a regular basis, to make sure that we were working together to achieve the same goal and this time with Storm Eunice we had dedicated staff; their role was to be on all of those calls, with all of the local resilience forums to make sure that we were at every forum and engaging with everyone to really understand what those concerns were.

We then built on that with, you know, the work we're doing around data and digitalization. So, we've got a team – a dedicated team - looking at data for ourselves, so during the storm we repurposed those people

to actually use open data sources to cross match between those customers we knew were off and things like care homes, hospitals, all of those type of things.

So, not only do we use that data for ourselves to then prioritise restoration, we shared that information with the local resilience forums so that we were working together to provide the best support we possibly could for those customers and specifically, you know, those most vulnerable customers in our community.

**Phil Swift – WPD**

Thanks Graham, Alison - did you have anything to add in terms of the feedback that Roger's alluding to?

**Alison Sleightholm – WPD**

I could give you a couple of quick, real examples, Roger, on how we tailored our support to vulnerable customers between, say, Arwen and Eunice.

So, one of the things that we learned - and we don't need a business plan to do this, this is day-to-day activity for us - is we've got a fantastic vulnerable customer register. We've got a huge reach and we know a lot about our vulnerable customers. What they said to us was - thank you for the proactive contact during this storm, please contact us before. And Eunice was forecast on the Monday for the Friday, and we contacted all 1.7 million vulnerable customers on the register so that they could take preparations for Eunice and that's a very, very quick, sort of, example of something that we can do.

A second example of what we can do is we can then because we know which vulnerable customers are off because we've got great data - is we built our records now so that we have as much information on customers' mobile details as we do as their landline details, and you can text them to offer support as well as phone them to offer support.

So, if you've got 5,500 customers off, which is what we had, who were vulnerable, we can text them all and offer them food, hot drinks, give them a special number to ring if they need further support, so it is very much about that data, but we reacted in, sort of, real time to the feedback that we got from our vulnerable customers. Thank you.

**Steve McMahon – Ofgem**

Any follow up, Roger, are you happy?

**Roger Whitcomb – Challenge Group**

No, no, I like concrete examples and that's fine. Thank you very much and I don't have any more questions at this stage, I know we're running a bit late, so I'll pass back to you.

**Steve McMahon – Ofgem**

So, I'll just start going to some of the wider stakeholder questions. I think we'll start with Maxine Frerk from Sustainability First, just on the environment side, and hopefully we've got Maxine's camera enabled. I'll come to Matt Copeland from the NEA after that, Cheryl Hiles again, I think, given the Mayor's questions, and then hopefully, Hywel Lloyd.

**Maxine Frerk – Sustainability First**

Obviously, at Sustainability First we've put a lot of effort into trying to get our heads around your environmental action plan and what you're doing on the environment front. It was very hard to understand the balance of, kind of, where you are putting your investments into different -

**Steve McMahon – Ofgem**

We've lost you a little bit, Maxine.

**Maxine Frerk – Sustainability First**

-activities, whether it's environmental, kind of legal activities versus.

**Steve McMahon – Ofgem**

You may have to start again Maxine. We lost you for a little bit there, I don't think it was just me, so do you want to start your question again?

Even if you maybe switch your video off, maybe you've not get strong enough - but go ahead anyway, we'll see if it works.

**Maxine Frerk – Sustainability First**

So focus on environment-

And the balance-

Have costs with it -

The amount of cost on replaced £69 million - £64 million to replace ICE vehicles but no target on reducing losses.

**Phil Swift – WPD**

Steve, shall I have a go at answering what I think...?

**Steve McMahon – Ofgem**

Yeah, I think just - it's basically how has WPD balanced the expenditure in different elements of your action plans. So, they talk about the £64 million on ICE, but they didn't - nothing on reducing losses.

**Phil Swift – WPD**

So, £64 million question, yeah - so I'll hand over to Alison on the environment. I think the key thing is, you know, we've taken a view that Net Zero as an energy distribution business, network business, it's really important to lead by example, and that's why we've worked, you know, and taken that feedback from our stakeholders to put, what I think is a very ambitious plan in terms of our own decarbonizing efforts, excuse me, and we've set really, really tough - really really tough targets, and I think that's the right thing to do. I think, you know, leading and facilitating as we go, and Alison, perhaps you could pick up on the - some of the points of detail.

**Alison Sleightholm – WPD**

Yes, thank you and Maxine, forgive me - I'm going to try and answer the question I think you asked but forgive me if I get it wrong, because I couldn't hear all of it.

But in terms of how did we put together, you know, how is our environmental spend split - well, our plan for environment was put together in the same way as all the other areas of our plan, we built it from the bottom up. We published a strategy, and the action plan sits on the back of that strategy.

The key things that were identified as being significant for stakeholders in that strategy - well, what are you going to do as a business to get towards Net Zero, and how are you going to get towards there by being environmentally responsible? So, we went out to consultation on a range of activities, and you've mentioned fleet electrification - that was one of them, but there was also sort of EV charging. We looked at visual amenity, we looked at losses which you've mentioned. We looked at biodiversity and we've brought those into the mix to come up with some proposals that sit under a set of core commitments in the business plan which are about biodiversity, zero waste in landfill, what we'll do on our fleet EV's and responsible offsetting.

So that's how we got to where we got, and that's how we manage the, sort of, the split between activities because every single one of the commitments that were in our plan were tested multiple times.

Do I think we've got it absolutely right, Maxine? I'm not sure and the reason for that is I've seen the feedback from Sustainability First, and I've seen the feedback from the Ofgem Challenge Group and what we're going to do is we're actually sort of reworking, not our submission because our submission is our submission, but I think we can make that strategy clearer, and I think we can refine that plan further within the bounds of what we've already set. So it was built bottom up but I agree there's better to do to put the linkages across it, and we're actively doing that now because we recognise that we've had that feedback and for us it doesn't have to be something you just do for a business plan, but equally this is something that goes across all - absolutely all of our work programmes, so it will take us a little bit of time just to sort of unpick it a bit more.

### **Steve McMahon – Ofgem**

Ok, next we're going to go to Matt Copeland, from the NEA....if not we'll go to Hywel Lloyd. Hywel?

### **Hywel Lloyd – Facilitating the Future**

Thanks everybody. I think the question is really about planning at a more local level.

Obviously, your business plan is a, sort of, scale plan for all licence areas. We can see there's a framework emerging for local area energy planning and engaging other bits of the energy network, but also local government as a key thing in that.

I just wondered if you could explain how that fits with what you're learning from the storm resilience experience because presumably this is - that need addressing. Also, you know the other tension which is the slightly random - I'm a customer, I want a heat pump or I'm a customer, I want a charge point, I'm a customer, I want both - ideally done in a way that integrates those technologies because you could see a tension between a planned and thoughtful approach that tries to be as fair as possible and another side of that equation where your head - disappears because in a certain part of your network a few people have decided what they want and it's destroyed, in sense, the capacity of the network to support everybody else. Thank you.

### **Phil Swift, WPD**

Thanks, Hywel. I think, you know, if we go back to our engagement that we talked about earlier. I think the key thing is it is bottom-up engagement.

So, whatever the interested party or parties are, you know, we - we've engaged whether that's individuals, whether that's SMEs, whether that's unitary authorities, councils, you know, county councils, which has really helped to inform that forecast that we've got.

I think, overall, we've got a plan that can adapt, as we see it, you know, to what we've got in there in terms of the EVs and heat pumps with the uncertainty mechanism, but also in terms of how we would resource that and everything else.

I think, I mean, Alison perhaps could talk a little bit more about forecasting and a little bit more how we would, you know, integrate that, I'll give it some thought on the storm integration - I think I just need to think that one through, but I'll just ask Alison to pick up a little bit more on the local authority engagement.

### **Alison Sleightholm – WPD**

Yeah it's - I think it's a question that goes to the heart of how we put that plan together because it was that - as I sort of referenced in my opening presentation, it's how do you balance bills, reliability and Net Zero, and that has been the - that has been the three elements that we've tried to sort of balance all the way



through and I hope this morning has gone some way to demonstrating that we've got a route through to do that.

The first thing for me about that is, you know, first, it's got to be quality planning. It's got to be planning that's based on a forecast that you, you know - you believe is accurate because that's the best thing that you can do for everybody and it's a really, really important point for me that we are very clear that our forecasting that I've talked about with sort of Cheryl and Polly and others is that annual iterative process that gives us a really, really, really robust forecast that we think we can hang our hat on.

It doesn't mean that we're not adaptive, and I gave some examples of why we're sort of adaptive and how we managed to connect generation that had sort of never been forecast but again, I think it's part track record, it's part adaptability and then it's demonstrating and being transparent about what you're doing and what the outcomes are.

#### **Phil Swift – WPD**

Yeah, I think if I just came back on the resilience, I think, you know, to the points you made earlier, I think that engagement now that we've got, you know, with local resilience fora - and communities and local government, you know, particularly, where there is a storm, and we've explained how that, you know, how that's improved and how that needs to continue to improve.

I think that would start to give us to Alison's point, you know, gives us - it gives us more information, we understand more about the vulnerability, you know, of communities or customer groups on our network, and that's obviously something we can look to do as part of that overall, our overarching, kind of, investment when we do it, and I think the point is well is we're trying to bring in, sort of, you know, sort of three or four different variables, I think is what you're saying and how we try to make sure then that we maximise value, basically, you know, in areas and I'll just use an example of where we already build our networks, if they're new, to a more resilient standard and clearly if there was a situation where a flexibility option wasn't going to give us the solution, because that's what we would try first, so it may - it may be an actual reinforcement. Clearly if we were reinforcing, you would reinforce to a resilient standard, so that's where you'd look to make sure you certainly didn't, you know, sort of upgrade, but upgrade at the same sort of level of standard, you know, we go to a resilient network.

So, I think it's trying to pull those - put all those things in together here and make sure that we're using all the data and all the information we've got available to us to make, you know, really well-informed decisions.

#### **Hywel Lloyd – Facilitating the Future**

OK, I think the most important point that just, sort of, filters out from there is that most places aren't new, and the challenge will come in places that in a sense of a place, it's being retrofitted or upgraded, rather than a new development. And how local government, local planning in the planning sense as well as local energy planning, can give you that heads up.

I mean, it feels to me like the resilience or your storm experience might already give you some heads up because it will tell you where your networks failed or where it's not your network it's the state of the local forestry and timber, but all of those things start to help get a better answer to – how do we energy retrofit this place rather than this building or whatever, so thanks for that.

#### **Steve McMahon – Ofgem**

Thanks, Hywel. I think we may have lost some people on the call, so I'm going to try and go to Cheryl Hiles again from Energy Capital

### **Cheryl Hiles – Energy Capital**

Yep, I'm here, thank you very much.

For the West Midlands, achieving a just transition to Net Zero is absolutely critical. Pre-COVID and pre- the current global energy crisis we already had the second highest incidence of fuel poverty in the country and the highest fuel poverty gap. I hate to think what those statistics actually look like now.

We also see in WPDs business plan that West Midlands customers are not necessarily served the best out of everybody.

So can I be a little bit colloquial, please, and ask what we would expect to see WPD doing differently in response to some of these challenges going forward.

### **Phil Swift – WPD**

Yeah, absolutely. It's that - the question is a very valid question, so I think if we just go back a little bit to when WPD acquired the Midlands.

You know, we've driven significant improvement in performance, you know, in terms of dealing with customers, who go off supply and, you know, the staff are rightly proud of that.

Should we do - could we do more? Of course, we're always looking at how we can improve network reliability to your point and Graham, I'm sure, can talk to - a little bit about our plans for the West Midlands in particular, as we go into ED2, Graham?

### **Graham Halladay – WPD**

Yeah, thanks Phil. So, you know clearly, you know, all of our four areas, you know, sit equally with us and, you know, but clearly, we do need to focus on certain areas and that's where our worst-served customer programme comes in.

So those customers that really are, you know at that tail end and see the most interruptions, you know, really focusing on those and not just focusing on the average. We realised that, you know, just focusing on the average will lead to those - some customers being left behind and that's the last thing we want.

So, we've really got a robust worst served customer plan, you know, looking to invest money to make sure that in those areas where customers' reliability of supply is poor, that we invest the money to turn that around and make a difference.

We're also investing across the network with automation, so we've added a considerable amount of automation already installed upon our network, but in ED2 we've got plans to further enhance that, so actually when a customer does go off supply, they're off for a lot - much shorter period of time and what we're finding now during storms situations, you know, all of that automation is not only paying dividends in normal BAU times, but in storm situations, we're able to get a huge number of our customers back on very quickly, and that automation is not just in in those large urban areas where we have high customer numbers, that automation is across the network, including those customers in those rural areas and we need to protect those as well. And you know, just final point about that, you know, we realised a lot of those customers in those rural areas are off the gas grid, so again that's a focus for us to ensure that those customers are not left behind and we're investing money in those networks, knowing that they're likely to be the customers are going to transition to a different heating type ahead of perhaps those in the urban areas to make sure that, you know, our network's ready for that.

### **Steve McMahon – Ofgem**

I think we'll go to Andy Manning from Citizens Advice or Cheryl - did you ever follow up that you wanted to come back on?

No? OK - Andy Manning from Citizens Advice. PSR's has been an important focus of a number of these open hearings, so hopefully we can get Andy lined up just to ask a question on that.

**Andy Manning – Citizens Advice**

Thanks Phil, yeah – thanks, Steve.

So, it's to do with your reach and your targets for the reach of enrolling eligible customers to the PSR. So, your target for the reach changed to 75% in the final business plan, that was up from 40% in the draft business plan, which I think is due to a change in how you were calculating it, but then the nervousness becomes - if changes in methodology can make such big differences, how can you give me confidence about how that level of ambition stacks up against the other companies?

**Phil Swift – WPD**

Yeah, I think I'll pass to Alison shortly. I think, you know, there was some discussions around how those things were being measured, and as I understand it, all of the companies came to a common definition as I understand it, but Alison will be able to talk more to that along with obviously what we're intending on doing, Andy.

**Alison Sleightholm – WPD**

Yes, thank you.

Firstly, Andy, the change in reach was putting all of the companies onto a common definition so that you can look across the companies and see what is the current reach and what is the proposed reach. I think what you see when we look at that, I think I currently see that at 59% is what you will see is that as the first company to start annually or biannually, contacting every single vulnerable customer on its register to get better data, as the company that started many years ago, setting up partnerships such that we've got now over 150 to feed in referrals we're starting from a really good place, but it doesn't mean we haven't got further to go.

There's plenty that we can do to ensure that we increase the reach, but for me it isn't just about having a great register, it's about what you do for those customers who are on your register, and we're laser focused on delivering further and better support for those customers as we go towards Net Zero. I'm going to put my hands up and say - I don't quite know what that looks like, but I'm totally confident that the WPD strategy will get there. The vulnerability strategy, I think, for us knocks it out of the park.

A key element for me is a project that we're doing called Smart and Fair and it isn't that we're working with partners to unpick what no one left behind looks like, but work out for vulnerable customers, whatever their circumstances - what is it we need to do to build their confidence? What are their capabilities and what are the interventions that are needed to, you know, support any - you know, to support them with their capabilities or remove barriers? How do we ensure equal access for all and how do we ensure that all customers can fully participate?

I don't know the answer, but I know that we will get there with the strategy that we've got, and I know that I will be able to sit here and share with you what that looks like and how we'll get there.

And there was - I'm going to ask you a question - there was a Citizens Advice report that I believe looked at the return for vulnerable customer support, and I think that recognised that WPD was at the head of the pack, and I want us to stay there.

**Andy Manning – Citizens Advice**

Thanks Alison. I shan't respond directly as I'm not the one being asked questions. Just a quick follow up, have you any thoughts on - if doing this regional approach, these companies having their PSR's can lead to a fragmented patchwork for consumers, so have you - did you, as part of your process, give any thoughts to working towards a national approach to PSR?

**Alison Sleightholm – WPD**

Absolutely. Absolutely, because I think the solution is a national database, and I think there's two strands to that for us; it's actively participate and drive that national database and work with others, and there's a lot of work going on between, you know, cross utility and with other sectors to develop a common national database but equally, all that's happening, that cannot be a reason why you slow down. It cannot be a reason why you don't do it, so it's focused on what's the end game but don't sit back and wait for that. It's carry on doing the things that you do and carry on refining your own strategy because we can't afford to sit and wait.

**Steve McMahon – Ofgem**

Can I just follow up on that in terms of the PSR - Alison, I think you said your current reach was 59%. But do you think that's good enough at the moment? Is that a good enough starting position irrespective of what your target is?

I mean, we have had this discussion elsewhere, but in terms of what it takes to get people on the PSR and how important it is, how would you reflect in terms of - could that be higher?

**Alison Sleightholm – WPD**

It absolutely could, and it absolutely will, because we've set targets that will get, depending on what category our customers are, will get 75% or 85% reach and there's a lot of work to do that. It's important work and nobody else has done it since. So again, we're talking about doing things where we are at the forefront and where we're trying to get, you know, to deal with some of the difficulties of bringing together a patchwork of data, and I believe we will get there first, but it isn't - we're not not doing something that everybody else is doing, we're leading the way, you know, to get to where we need to be and I go back to the fact that we routinely contact our PSR customers, and the number of contacts we've had in ED1 which is now over five and a half million, it gives us a great platform to push ourselves further, but you've got to do that background solid work to get your database right.

**Steve McMahon – Ofgem**

OK, thanks. Just before I hand back to Martin to close that, I think I'm going to bring Ben in from the team just to follow up and a couple of outstanding questions that we've got.

**Ben Burke-Davies – Ofgem**

Yeah, thanks Steve. First thing before I ask some questions about - I thought there was some confusion at the outset about DSO costs. The DSO costs that Bob quoted were from your data template, so I do think the £260 million is valid.

The question I wanted to ask was really around cost of service delivery. So, in your draft plan, you set out an assumption that the cost of real price effects would be offset by productivity improvements in ED2.

In the event, in your final business plan, you've got figures of £95 million for ongoing efficiency and £309 million for real price effects, so that's a net difference of over £200m rather than one offsetting the other. So, I just wanted to get an understanding of what changed between the draft and final plans.

**Phil Swift – WPD**

Yeah, I think, if I pass - I'm not actually sure whether Ian has spoken today, but we have got Ian Williams on the call and so I'll ask him to give you that bit of detail.

### **Ian Williams – WPD**

Thanks, Phil, I think we've looked at this as we've gone through and as we say, it's been an iterative process between one plan and another. We've shared it with stakeholders, we've gauged new information as we've been going along, and so it's been important that, as you say, Ben, that we've recognised where we've actually moved to and with the real price effect.

So, this is actually going out engaging with external stakeholders, understand where prices are moving to, and so we've tried to be – well, definitely upfront, honest - to see where we actually see our prices increasing over and above the inflationary increase, which we're actually seeing. So yes, so we have got efficiencies built into the plan as well. We've worked very closely with NERA, in order to be able to demonstrate this and they were the ones that actually came up - they were the ones that independently reviewed where our efficiency was, but they were also the ones which also pointed us in the direction and helped us work towards where we were with the real price effects as well.

So, we've got the information available in our third-party consultation document which demonstrates where these price increases exist.

### **Steve McMahon – Ofgem**

Martin, I think I'll hand back to you now, just to wrap up.

### **Martin Cave – Ofgem**

OK, well look - thanks to you all for sticking with us during this somewhat shaky start of this particular hearing. I bumped into one of our IT people during the very brief break we had and they're working on it very hard, but unfortunately no consolation for you but I hope the three we have next week are not similarly afflicted.

Just some sort of final details. If you submitted questions in today's live chat that haven't been answered, we'll work with WPD to try and consider the best means of responding to you.

And secondly, as you know, this hearing is being recorded so that after all the open hearings are done, we'll publish transcripts on our website.

So thank you very much for coming. I think the discussion's been very interesting and I'm grateful to WPD, all of the members of their team for making such a good effort in answering quite a substantial range of different questions, which we will consider very, very carefully.

So goodbye.

### **Unanswered questions**

1. Matt Copeland, National Energy Action: Given that WPD wrote and submitted the business plan before the recent increases in the wholesale gas price, how confident are you that your vulnerability strategy remains fit for purpose, in particular in relation to addressing significant issues surrounding energy affordability?

WPD is an organisation with a huge track record of proving itself to be highly adaptable to change. In the current price control period, despite it not being a consideration at the time we submitted our RIIO-ED1 plan, we have developed extensive DSO capabilities utilising the allowances in our settlement. We now operate the world's largest flexibility market, we have contracted for 709MW of flexibility, called on 25 GWh of flexibility to support our network operation and 5 of the 6 Great Britain DNOs are using our platform to dispatch services therefore benefitting 75% of GB's customers.

Turning to the specific question, we therefore stand ready to apply that adaptability and culture of innovative thinking to support customers in vulnerable situations during an incredibly challenging time they are facing. We are really conscious of the difficulties facing our customers as a result of global energy

prices and cost of living concerns. We have built our Plan to be affordable for our customers - keeping our portion of the customer bill broadly flat.

We have always got our finger on the pulse of emerging issues thanks to our huge ongoing stakeholder engagement programme and which already helping us to adapt. In recent months, we have already adapted the support package for our fuel poverty customers and we are adding a further half a million pounds to our Community Matters Fund – making a £1.5 million shareholder funded contribution to our communities annually – because we know customer need support now.

The immediate focus of that Fund is to support grassroots organisations to provide tens of thousands of people with support through the cost-of-living crisis and associated issues including mental health support and energy efficiency.

In terms of our broader vulnerability strategy, WPD already operates an industry-leading programme of vulnerable customer and fuel poor support in RIIO-ED1 – doing 5 times more than any other DNO today in terms of fuel poverty support. In RIIO-ED2 we are proposing to go even further and save 113,000 fuel poor customers at least £60 million in direct savings. Citizens Advice confirm we are proposing the highest rate of benefit per pound spent in any vulnerability strategy, and that is based on direct savings only – we are likely to unlock around another £60 million in additional social value that we will robustly measure via Social Return on Investment. We will continue to engage extensively with stakeholders to broaden our offering to customers and ensure we offer a full range of interventions which address affordability concerns and provide meaningful benefits and support services. In terms of our part of energy costs, although overall energy bills are currently increasing, the portion under our control is staying broadly flat at just 28p per day. We have baked in huge efficiencies of £818 million to help keep our part of the bill affordable.

In summary, we understand the landscape we are operating in has changed significantly in the short time since we submitted our Plan, hence we will be adaptable and agile to drive savings and efficiencies at every opportunity. We have hugely ambitious programmes of support for our vulnerable customers, with a proven track record of delivery. We have also devised an affordable Plan mainly thanks to the significant efficiencies that are baked in for customers from day one of RIIO-ED2.

2. Alex Pearson, Midlands Energy Hub: How will WPD ensure that best use of cost-effective innovation is applied to issues such as fault level?

The biggest contributory factor to increasing fault levels on the network is distributed generation (DG). Although the growth in DG is expected to continue to accelerate over the RIIO-ED2 period, resulting in a significant increase in fault levels on all parts of the network, our proposed fault level reinforcement investment is relatively much lower as we are proposing to employ non-build solutions such as revised network running arrangements to address this. However, these revised network running arrangements can also result in a sub-optimal network adversely impacting network performance and/or network capacity. Where this is the case, other smart interventions such as the use of fault current limiters, will be employed whenever economical to do so prior to the more conventional reinforcement options i.e. replacement of switchgear, overhead lines and cables with higher rated assets, or replacement of transformers with higher impedance models. As with all our RIIO-ED2 investments, a comprehensive cost benefit analysis will be carried out for each individual scenario to determine the optimum solution in each case rather than a 'one size fits all' approach.

3. Alex Pearson, Midlands Energy Hub: Are businesses not considered vulnerable too, especially if they cannot afford connection fees for renewables etc to help reduce their operational costs?



While the traditional focus of our vulnerable customer support services are on the Priority Services Register and specific support to customers during power cuts, we also have a huge focus on supporting businesses. Our Customer Vulnerability Strategy includes a section specifically on supporting businesses in our communities. Engagement with small and medium enterprises (SMEs) has revealed that the compounding impacts of Covid-19 and the net zero transition are causing them significant challenges. SMEs can have limited time, expertise and capacity to adapt when balancing green ambitions with the need to 'get on with business'. At the same time, they emphasise that the available information about net zero is confusing and support is fragmented. Expert stakeholders, including our Customer Panel, have challenged us to champion better protections for small businesses in a smart energy market, in line with the principles established by an innovative project we launched to explore the barriers for customers to the smart energy transition, called 'Smart and Fair?'. They suggest our definition of vulnerability should include SMEs, who support our communities with jobs and services, urging us to assist businesses struggling with their energy costs while simultaneously driving decarbonisation across the sector. As a result WPD is already collaborating with Northern Powergrid and Electricity North West to work with the Federation of Small Businesses, Chambers of Commerce and The Broadway Initiative to understand the tools, advice and support SMEs require in order to participate in the energy transition and meet their net zero targets. This collaboration will continue with the development of an online platform which aims to provide relevant net zero support to UK SMEs, enabling them to unlock green growth opportunities for the wider benefit of communities that they service. A key deliverable for us in our RIIO-ED2 Business Plan will see us collaborate with industry partners to create this online platform bringing together tools, advice and support for small and medium businesses to participate in the energy system transition and provide energy resilience advice in relation to dealing with power cuts.

In addition, in recent years we have written to all businesses to offer them support with resilience and emergency contingency planning in response to storms and severe weather incidents. In relation to power cut preparedness we also work with every Local Resilience Forum in our region to deliver advice and support to businesses. At the same time, in relation to connections we carry out extensive engagement to continually enhance our processes and procedures and to open up easy access to the network, at an affordable cost. We have operated a permanent Connections Customer Steering Group for 10 years who provide insights and scrutiny over our strategies and co-create our improvement action plans. Our 'flexibility first' approach to network reinforcement needs and our huge suite of flexible connections offers (including rolling out active network management across our regions in RIIO-ED2) means we are enabling more businesses to connect to the network straight away and at a lower cost than if traditional reinforcement was required to unlock the required capacity, by maximising the utilisation of the existing grid before new assets are required. We are also making a £59 million Green Recovery investment that was not anticipated as part of the RIIO-ED1 price control settlement, this will increase available network capacity for demand growth by 617MW (equivalent to 385,000 domestic EV chargers). We anticipate significant expansions in connections' requests from domestic customers and businesses in the RIIO-ED2 period. These volumes can only be serviced effectively and efficiently if we utilise digitalisation in all we do. We will develop a same day online connections self-assessment tool for low carbon technologies, which will allow customers to go online, say where and what they want to connect and they will get a rapid response 24/7 including whether they can connect without works required on the network.

For new connections in general we will put our customers in control of the service they require, ensuring we have the right channels at the right time to meet their preferences. Customers can contact us via a range of digital channels or they can still call us for in-person advice. We will take considerable steps to ensure we have adequate network capacity to enable businesses to connect

quickly and affordably. Key to this is our high-quality forecasting, which means we are accurately anticipating future energy needs across our regions, with projections that we have built bottom-up via extensive engagement with 130 Local Authorities and Local Enterprise Partnerships.

4. Alex Pearson, Midlands Energy hub: Given these efficiencies, better data visibility and new technology, when can we expect to see average connection costs for low and zero carbon technologies falling?

WPD plans and costs each scheme on an individual basis to ensure that we offer the least engineering cost for the works required to provide the connection. We already offer trigger point offers for connections at 33kV and above, electric vehicle (EV) charging hubs and distributed generation (DG) above 50kW which means that, for relevant schemes, we will carry out additional studies to determine the trigger point which is the capacity that may be provided without triggering the reinforcement works thus minimising the connection cost.

Also, following recent consultations, Ofgem is minded to socialise reinforcement costs via the network access Significant Code Review (SCR) and this will when implemented lower connections costs for the connections applicants.

5. Cara Naden, Somerset Community Energy Network: How will WPD bring forward action on improving network connectivity availability for community renewable energy and EV charging installations?

WPD has put forward a credible load related investment plan for the RIIO-ED2 period following extensive consultation with our stakeholders. We have committed to install capacity to accommodate a further 1.5 million electric vehicles (EV) and 600,000 heat pumps and these will be fed by around 50% more low carbon generation than we have connected currently.

We are pleased to see Ofgem's latest minded to position on the network access SCR, which will reduce connection costs and support community renewable installations, as well as catalysing more EV connections. WPD's bottom up energy use forecasting based on local area plans and extensive engagement with local authorities and other relevant stakeholders has enabled us to put forward a Business Plan with a unique offering – we have a high confidence position that our network plans will deliver the capacity required by our customers without resorting to uncertainty mechanisms.

However, should an area wish to accelerate or slow their transition, the network will grow at the same pace using the uncertainty mechanisms we have put forward; simultaneously protecting customers from unnecessary cost while enabling additional investment if required. Flexibility will be used as the primary option, reducing the time to release capacity and providing confidence that further network capacity through reinforcement is needed.

We also recognise that WPD has a vital role to play in supporting local communities and improving energy efficiency and the adoption of low carbon technologies. WPD is strongly committed to leading the way in the transition towards a greener, more sustainable energy distribution industry. At the same time, this process must be inclusive, enabling customers to participate and access the potential benefits that decarbonisation brings. In this context, WPD wants to make a difference in the local communities it serves. We propose to deliver an annual £1 million 'Community Matters' Fund, funded entirely by shareholders, to achieve positive community outcomes in relation to vulnerability, environment and education. As part of this we will support 300,000 vulnerable people in various communities across our region. The fund will support low carbon initiatives, energy saving projects or climate change activities that engage communities in the net zero transition and promote

environmental awareness and understanding. Based on Social Return on Investment analysis of the intended benefits, as well as direct savings to customers as a result of our actions in this area, in the five-year period it is predicted that this action will deliver a net present value benefit of £16.7 million.

6. Hywel Lloyd, UK100: Given LCT deployment can have a positive, or detrimental, impact on LV network; as well as change the baseline for those who've yet to switch - how will WPD ensure this is a fair process that doesn't leave the vulnerable further behind?

Our network investment plans at LV are built bottom up from combining internal and external datasets and coupled with extensive stakeholder engagement from all relevant sectors. Our Best View takes into account national and regional ambitions to reach net zero, while local factors are used to best target that investment on the ground. Our planned approach embodies fairness and levelling up through targeted investment in rural off-gas areas and strategic investment in unlooping domestic services ahead of need. The outcomes of our investment plans will mean capacity will be available for all customers when they need it rather than accelerating those that request it first. We have a solid track record in running a safe, reliable and economic network and our RIIO-ED2 Business Plan demonstrates embedded savings of over £800 million in efficiency already delivered and seeks to increase this through the next period.

When we refer to 'no one left behind in a smart future', we mean ensuring customers are not adversely affected, unable to keep up with the pace of change or denied access to the positive opportunities decarbonisation can deliver. We have collaborated with SSEN and the Centre for Sustainable Energy to create a bespoke research programme, called 'Smart and Fair?', with the specific intention to turn 'no one left behind' from theory into practical delivery. Through this programme, we developed an innovative Capability Lens tool to capture the range of characteristics impacting the ability of domestic households to participate in smart energy offerings, such as demand side response, flexible tariffs and low carbon technologies. The Capability Lens has been used to create tools to map customer capabilities against smart energy offers and to combine household capabilities with socio-demographic characteristics to understand those at risk of being disadvantaged in order to build in safeguards from the outset of new services to ensure inclusivity for all.

In addition, we have made a bold commitment to offer 600,000 smart energy actions plans to our customers in vulnerable situations each year. This will provide targeted advice and support for vulnerable customers in relation to low carbon technologies, smart meters and flexible energy services for example. Finally, the strategic forecasting and analysis activities undertaken as part of our role as a Distribution System Operator will require input from our Customer Vulnerability Strategy throughout the RIIO-ED2 period. As we endeavour to better understand how our customer demand is changing in a more active energy system, considering the impacts of energy efficiency measures across our domestic customer base will influence distribution network design. Insights from our customer vulnerability programme will also be central to informing our interactions with local stakeholders, specifically the local authorities in our region, as we support them to understand how local decarbonisation targets can be realised, with a bespoke plan that ensures that no vulnerable customer is left behind by the energy transition.

7. Hywel Lloyd, UK100: How does same day response to customers wanting heat pump or charge point 'connection' fit with a strategic LAEP approach, or the more immediate question of fair access to local LV headroom?

Our strategic approach uses load forecasts which are built bottom up from combining internal and external datasets, coupled with extensive stakeholder engagement from all relevant sectors. National and regional

ambitions are used to keep our areas on a pathway that is net zero compliant, ensuring sufficient capacity in the longer term, whereas using local factors to prioritise the earlier investment.

This iterative process is re-run annually, updating the prioritisation of investment to areas seeing the most growth and planning strategic investment so that back-loaded growth in other areas does not cause any bottlenecks. Our investment plans will deliver a net zero compliant network during 2023-28 whilst keeping bills broadly flat. At the same time, the associated uncertainty mechanisms we have put forward uniquely allow us to expand or contract our investment in line with customer need.

Through this strategic approach and the regulatory treatment around Ofgem's minded to network access SCR position, we can guarantee customers will be able to connect today and into the future with unparalleled ease.

8. Hywel Lloyd, UK100: Afternoon Graham (i.e. *Graham Halladay*), sounds like the storm response will also have given you a much greater data set of vulnerable buildings (as much as customers) which can help prepare for next time - can/will this data feed into relevant LAEPs in due course?

The recent storms have highlighted our customers' expectations of being connected to a robust and resilient network. Our commitment to continue to invest in asset health, automation and resilience measures rather than underspend against our allowances was demonstrated in our recent strong storm performance.

During Storm Eunice we accessed open source data regarding the locations of vulnerable sites including care homes and then compared it to the network status data to identify vulnerable sites without power. We shared this list with the Local Resilience Forums and also with our operational areas so that restoration to these vulnerable sites could be prioritised and calls made to the vulnerable sites to keep them informed on restoration progress.

However, there is more we can do in this area to ensure resilience is pervasive across our network. Our commitment in RIIO-ED2 to whole system planning and support for LAEPs will allow us to explore how we can work with local stakeholders to best capture resilience improvements as we develop new capacity on our network. (In addition, please see our response to question 3 above, which outlines in detail the steps we are taking to support vulnerable businesses).

9. Rob Price: Members of the Land Compensation Agent Group represent thousands of residential property owners who host WPD's HV and LV electricity lines and other equipment in their gardens. These property owners are consumer stakeholders in the WPD business. In its business plan, WPD sets out its intention to retain, in ED2, a settlement policy which is highly detrimental to the interests of many landowners. WPD is the only DNO to have implemented such a policy. WPD justifies its decision on the grounds that the policy has brought about savings for consumers. However, an analysis presented by the LCAG during this consultation presents evidence of how the policy has resulted in greatly increased necessary wayleave costs, negligible savings for consumers and massive losses for affected landowners. Those landowners are also consumers of WPD electricity. In light of the evidence presented by the LCAG and the significant distance between the claims made by WPD and the evidence and data presented by the LCAG, will WPD respond to the LCAG analysis and present verifiable data of its own both to CEG and to Ofgem to prove the benefits of its policy for consumers?

The Land Compensation Action Group (LCAG) has raised this matter with us and we have responded several times during the preparation of the Business Plan for RIIO-ED2. WPD has to balance the

landowners' desire for higher payments with customers' desire for lower bills. We have undertaken an extensive cost benefit analysis and this shows that termed wayleaves offer better value for customers when compared with permanent easements.

WPD disputes that its policy of termed wayleaves is detrimental to the interests of landowners. The LCAG advocates that WPD should be offering permanent easements for the HV and LV network, but few landowners would deliberately invite permanent rights when a lesser term was an option so that control of their land remains with them. The lesser term, with WPD taking on the risk that that term will not be fulfilled if the landowners sells the property, does result in a lower payment to landowners but this less onerous approach is beneficial to landowners and to customers alike. It should be noted that the LCAG obtains a percentage-based fee from landowners for any agreement reached.

There is a definite and important distinction between landowners hosting WPD's assets and bill paying customers, and WPD respects and desires a good relationship with both groups. It is not true to suggest that WPD's policy has resulted in greatly increased necessary wayleave costs. WPD only makes an application for a necessary wayleave when landowners serve a Notice to Remove, consequently any increase cost of administering this process results from landowners, many of whom are represented by LCAG. However whilst the number of hearings is greater than a decade ago, improved systems and knowledge has reduced the cost of the hearing process.

WPD remains willing to provide evidence to Ofgem if requested. The Chair of the Customer Engagement Group sought this evidence and held a discussion with WPD on this very issue in November 2021.

10. Grant McEachran: Ofgem has put forward plans for a guaranteed standard for short interruptions and WPD's CEG notes that its business plan could have been improved by greater Consideration of "whether different approaches to short interruptions should be considered".

In light of this, could WPD expand on its plans in relation to tackling short interruptions?

WPD recognises that interruptions to supply are important for customers. For many years we have been focused on restoring supply interruptions quickly to ensure that the impact of power cuts is minimised. We have invested in remotely controllable auto re-closing devices and protection technology to reduce the number of customers impacted by faults and enable rapid automatic power restoration. We have developed control systems that analyse the status of the network and automatically reconfigure power supplies ensuring that as many customers can be restored, especially those that are not directly impacted by the faulty part of the network.

Our focus has been on ensuring that the length of power cuts is reduced and that the number of customers impacted is minimised. Our stakeholders have supported this focus on longer duration power cuts and our interactions with them suggest that longer duration power cuts should remain the priority.

However, we recognise that short interruptions can cause a nuisance for customers who rely on a continuous supply of electricity such as those working from home or with manufacturing processes.

We have therefore been trialling new devices that provide the ability to automatically restore supplies on spur lines without affecting upstream customers, which could help to reduce to the number of short interruptions being observed.

11. Polly Billington, UK100: Why does offsetting play such a huge role in your plans to achieve net zero? Isn't that unambitious?

As part of our commitment to become a net zero organisation by 2028 our clear intention is to reduce as much as possible our carbon emissions at source and not to rely on offsetting. Our focus in RIIO-ED2 will be to deliver fully on our plans to electrify 89% of our operational vehicle fleet, install renewable generation

at our depot sites, reduce our business miles and take full account of our corporate decision to purchase all of our electricity from renewable and zero carbon sources. In doing this we will significantly reduce our Scope 1 and 2 carbon emissions (excluding distribution losses).

However alongside this we are also investing and supporting responsible local UK based community schemes to improve wildlife habitats, biodiversity, tree planting and community amenity, and through these partnerships with organisations such as The Heart of England Forest and in consultation with the Woodland Carbon Code we intend to report on the carbon sequestered via these activities which we will then account for in our business carbon footprint.

Stakeholders expressed a strong desire for WPD to demonstrate leadership by becoming a net zero business itself by 2028. As part of this they are supportive of our proposal that, after maximising every opportunity to reduce carbon emissions, including investment in greenhouse gas removal schemes that deliver immediate environmental and wellbeing direct benefits for our local communities.

12. Duncan McCombie: Lots of questions and comments on having valid metrics for compliance and comparability across all aspects of your delivery. How will you be ensuring ease of benchmarking across you and others in this?

We see consistent and comparable metrics to be essential to ensure that DNOs deliver on their commitments in their Business Plans and are accurately compared with each other to establish what level of service customers in each DNO area are receiving. It is also critical that all DNOs are encouraged to share this data to identify where best practice is taking place and ensure that this learning can then be utilised to improve the services to the larger GB population of customers. In regard to this we have shared our data with other DNOs.

Our focus is firstly to ensure that our core commitments are outcome focussed in order to show how our customers will directly benefit from these initiatives. We have also ensured that our core commitments are measurable and that progress against each one can be monitored and performance shared with our stakeholders on an annual basis.

Secondly, we are actively participating in working groups with Ofgem to establish a common set of metrics across all DNOs to ensure that accurate, consistent measurement and reporting of performance can be achieved across our sector.