



RIIO-GD1 Business Plan 2013-2021

Part B5

Stakeholder Engagement

This paper forms part of Wales & West Utilities Limited Regulatory Business Plan 2013 - 2021. Your attention is specifically drawn to the legal notice relating to the whole of the Business Plan, set out on the inside cover of The Executive Overview (Part A) of the Business Plan. This is applicable in full to this paper, as though set out in full here.

Except where stated to the contrary, all financial values within this paper are stated in 2009/10 prices, inclusive of 1% efficiency and prior to real price effects. This is in order that they match the figures used within the detail of the Business Plan Data Template.

This is a redacted copy. We do not indicate where material has been redacted.

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**Appendices**

Appendix 1. Stakeholder Engagement Conclusions

## 1. Introduction

**In Wales & West Utilities (WWU), we have recognised the value of understanding our stakeholder needs since our establishment in 2005. As a result of that understanding, through regular engagement, WWU has been able to move forward in key areas of safety, customer service, reliability and value for money. With the introduction of the RIIO process, the stakeholder agenda has been brought into more focus, and a more systematic and demonstrable process has been implemented. This document demonstrates the systematic basis of WWU’s approach, and covers the past, current and future processes and results.**

WWU exists to deliver outputs that are valued by stakeholders. The stakeholders and their requirements shape the external environment in which WWU operates. Our internal organisation processes and outputs are tailored to satisfying the needs of our stakeholders.

As the views of stakeholders become more prominent, and especially with the use made of stakeholder input into the RIIO GD1 regulatory process for the 2013/21 period, there is a growing need for a systematic approach to the methodology for:-

- Identifying stakeholders.
- Engaging with stakeholders.
- Determining their needs.
- Influencing the organisation’s plans to satisfy their needs.
- Continuing to engage stakeholders throughout RIIO-GD1 and amending our plans where appropriate.
- Demonstrating that the outputs achieved have satisfied needs.

The above points form the basis of our stakeholder management system.

A primary concept of RIIO is for us to determine what stakeholders require, and to use their feedback to inform our business plan. WWU has implemented a process which, we believe, has been effective in engaging with stakeholders to formulate our objectives.

WWU’s strategy for stakeholder engagement is aimed at delivering relevant and valued outputs to all of our stakeholders. As part of our RIIO business planning process, WWU have held multiple significant engagement phases, including 12 individual workshops for gas consumers and societal representatives together with a telephone survey and on-line questionnaire. We have also invested in significant media coverage which has reached a readership of over half a million people. We have captured stakeholder views relating to our required output categories of:-

- Safety.
- Reliability.
- Environmental priorities.
- Customer satisfaction.

## Part B5 – Stakeholder Engagement

- New connections.
- Social obligations.

The stakeholder views have been incorporated to inform the basis of our Business Plan as detailed in appendix 1 of this document. Where we have not reflected stakeholder feedback within our plan, we have referenced this in the relevant business plan document and also communicated this to the stakeholders concerned.

Stakeholders have told us that they would like to be engaged with us going forward and we will use the learning from our existing engagement to shape our future engagement strategy.

We plan to use ongoing engagement to:

- Communicate how we are progressing against output targets.
- Improve key business processes.
- Stay in touch with stakeholder requirements.

This document outlines the systematic approach adopted by WWU and demonstrates:

- How that approach has been utilised in the past with the impact on outputs.
- How stakeholders have been consulted as part of RIIO-GD1.
- How the feedback has influenced our plans.
- How we will continue to engage with stakeholders in the future.

## 2. Executive Summary

### 2.1. Value of engaging stakeholders

The views of stakeholders are critical to any business and input from our stakeholders has influenced our business planning since 2005, when WWU was established.

We have, and will continue to engage proactively with a range of stakeholders from consumers who receive our services, through to regulatory bodies such as the Health and Safety Executive and Ofgem.

### 2.2. Systematic Engagement

The basis of our engagement is a systematic process where we determine who our stakeholders are, and then fully understand their particular area of interest<sup>1</sup>.

Stakeholders become the responsibility of specific Directors and Senior Managers, who then determine the method of engagement. The system is governed through our Executive Committee, which is a subcommittee of the WWU Board.

The basis for the systematic approach has been guided by best practice from a review of the guidance produced by various government and non government authorities, and by a review of formal systems.

This process has made a major contribution to the improvement in stakeholder valued outputs achieved by WWU since 2005, including:-

- Customer service.
- Safety.
- Environmental footprint.
- Value for money.

Our systematic engagement approach compliments the RIIO form of regulation that highlights a key role for stakeholders within our decision making process. A key part of our recent stakeholder engagement process was to also fully understand how stakeholders wanted to engage with us into the future.

### 2.3. Summary of outputs

The processes and outputs of the multiple stakeholder engagement phases, including 12 individual workshops, are summarised here, and in appendix 1.

In carrying out our specific RIIO GD1 stakeholder engagement, we have taken account of the guidance contained within the RIIO principles<sup>2</sup>.

The summary of stakeholder views received was:-

- Safety – Stakeholders requested a continued focus on metallic mains replacement. There was an overwhelming consensus that the risk removed, environmental benefits and cost benefits of replacing all metallic mains within the

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<sup>1</sup> Stakeholder mapping section 3.3 of this document

<sup>2</sup> RIIO a new way to regulate energy networks published by Ofgem October 2010

existing 30 year timeline specified by the Health and Safety Executive (HSE), significantly outweighed the cost increase associated with this investment.

- Safety – Stakeholders stated that our performance on emergency response was appropriate.
- Reliability – Stakeholders told us that the current level of planned and unplanned interruptions was satisfactory.
- Environment – Stakeholders told us to focus on reducing gas leakage as a priority. We were also told that we should support the connection of renewable gas.
- Customer Satisfaction – There was positive recognition of WWU’s performance, and that service levels were generally not in need of improvement.
- Social Obligations – There was full support for fuel poverty mitigation measures, and that we should continue to make stakeholders, particularly vulnerable groups, aware of the dangers of carbon monoxide poisoning.

Each of the outputs of this monitoring process has been fed into our business planning process and are detailed in Part B1 – Outputs.

#### **2.4. Specific engagement on mains replacement**

Prior to the conclusions reached by the Health & Safety Executive (HSE) during June 2011 on the future of the Iron Mains Replacement Programme, our stakeholder workshops were held on the basis of the current HSE guidance. This guidance was that all Iron Mains within 30m of property would be replaced within 30 years. The programme started in 2002.

The overwhelming feedback from stakeholders at the workshops indicated that they wanted our progress to be in line with the current 30 year programme; and one which would reduce risk to them in line with the prioritisation set in previous regulatory periods.

However, following the conclusions of the HSE review we held four further stakeholder workshops to specifically test the stakeholder requirements based on the updated HSE conclusions.

As part of the HSE review process, all gas distribution networks have been working closely with Ofgem and the HSE to consider the safety and financial impacts of introducing a new approach. In summary, the HSE proposals could result in some larger diameter iron mains not being replaced within the existing 30 year timescale.

The overwhelming view of stakeholders at each of the focused workshops across our geography is that not replacing all pipes within the existing 30 year timeframe presents an unacceptable level of risk.

Stakeholders also recognised that the cost of repairing leaking pipes on a reactive basis would be inefficient, and the level of unplanned street works disruption would not be acceptable as this would impact local communities and add significant cost to consumers through possible increases to Council Tax.

## 2.5. Future engagement

There are many existing forms of day to day stakeholder engagement that will continue to make an important contribution to our business development. A few examples of these are:

- The engagements with the Health and Safety Executive at national and local level.
- Various forms of engagement with Shippers, collectively and on a one to one basis.
- Engagement with voluntary organisations and consumer groups.
- Engagement with individual large gas consumers.
- Participation in local and national government work groups.
- Working with schools.
- Various industry forums with all industry participants.

From the specific RIIO business plan stakeholder engagement process, stakeholders have told us that they would like to be engaged with us going forward. We will use the learning from our existing engagement to shape our future engagement strategy.

We plan to use ongoing engagement to:

- Communicate how we are progressing against output targets.
- Improve key business processes.
- Stay in touch with stakeholder requirements.

Specifically, we propose new and innovative proposals to hold customer focus groups on a regular basis to test the customer experience of three of our key processes:

- New connections.
- Emergency response.
- Mains and service replacement.

One specific group of stakeholders that have voiced a clear desire to engage with us more often are the Highway Authorities within our geography. Therefore, we will to engage more often with the 44 highways authorities in our area to deliver improvement plans that reduce the impact of our works on the public.

### 3. Stakeholder management system – key aspects

**In our view, stakeholder management is a systematic approach rather than a reaction to price control processes. In order to engage stakeholders and extract information on requirements, a systematic approach needs a number of key stages in a process of engagement, ownership and governance.**

**This section explains the approach that WWU adopts.**

WWU's stakeholder management system is designed to:-

- Identify who in the organisation has overall responsibility for the system.
- Identify who the stakeholders are through a stakeholder mapping process, and allocate responsibilities for each stakeholder to WWU directors/senior managers.
- Identify the issues that would interest each stakeholder.
- Identify the engagement strategy and objectives.
- Develop an engagement plan and implementation schedule.
- Ensure that resources are available to carry out the engagement plan.
- Engage with stakeholders in ways that facilitate understanding of both the business and the stakeholders.
- Incorporate stakeholder needs into plans, and to demonstrate that they have been through feedback.
- Measure the success of the stakeholder engagement process and use as an improvement mechanism.
- Assess, remap and redefine when changes have occurred or as a result of experience.

#### 3.1. Best practice

In putting our system and processes together, WWU has taken account of:-

- Department for Business information and Skills: "HM Government – code of practice in consultation."<sup>3</sup>
- Welsh Assembly Government: "About consultation."<sup>4</sup>
- Department for Business Innovation and Skills: "Why consult?"<sup>5</sup>
- Department of Energy and Climate change: "Consultations."<sup>6</sup>
- Local Government Association: "Putting the Customer First."<sup>7</sup>

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<sup>3</sup> Available at; <http://www.bis.gov.uk/files/file47158.pdf>

<sup>4</sup> Available at; <http://wales.gov.uk/consultations/aboutconsultation?lang=en&ts=5&status=open>

<sup>5</sup> Available at; <http://www.bis.gov.uk/policies/bre/consultation-guidance/why-consult>

<sup>6</sup> Available at; <http://www.decc.gov.uk/consultations/Default.aspx?status=26&area=0>

<sup>7</sup> Available at; <http://www.lga.gov.uk/lga/publications/publication-display.do?id=21930>

- Ofwat: "Having Your Say"<sup>8</sup>
- AccountAbility: "AA1000 Stakeholder Engagement Standard 2011,"<sup>9</sup>

### 3.2. Principles of engagement

The principles which WWU has employed comply with those set out by Ofgem for effective enhanced engagement conveyed in its document titled, "*Regulating energy networks for the future: RPI-X@20 Recommendations: Implementing Sustainable Networks*", namely:

- Inclusiveness.
- Transparency.
- Accessibility.
- Control.
- Responsiveness.
- Accountability.
- Taking views seriously.
- Demonstrating impact.
- Evaluation.

### 3.3. Stakeholder Mapping

A primary need for effective stakeholder engagement is the formulation of an inclusive "stakeholder map."

Ofgem's guidance notes for the Electricity Distribution Network Operators (DNOs) state;

*"Stakeholders are individuals or organisations affected by the activities of the DNO. They may have a direct or indirect interest in the DNO's business, and their contact with the DNO may be anything from a daily interaction to those who have just extremely occasional contact. Stakeholders can include customers, investors, shareholders, regulatory authorities, NGOs and other interested organisations, workers and civil society with particular attention to vulnerable constituents".*

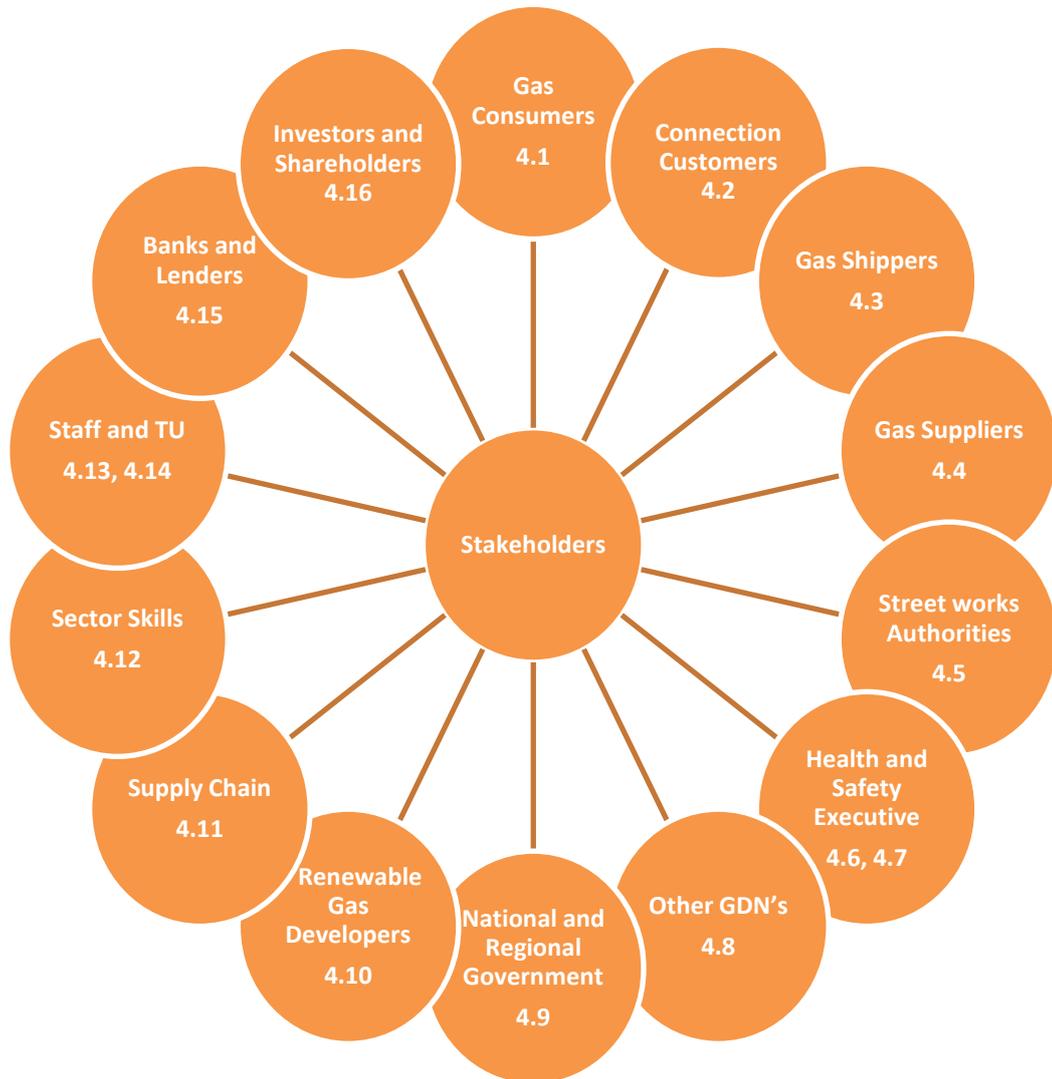
WWU's stakeholders have been assessed through a process led by the Executive Committee, and day to day responsibility for the stakeholder system has been allocated to the Director of Business Services.

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<sup>8</sup> Available at; [http://www.ofwat.gov.uk/consumerissues/pointofview/qud\\_pro\\_havvoursay20040722.pdf](http://www.ofwat.gov.uk/consumerissues/pointofview/qud_pro_havvoursay20040722.pdf)

<sup>9</sup> Available at; <http://www.accountability.org/images/content/3/6/362/AA1000SES%202010%20PRINT.PDF>

The stakeholder map for primary stakeholders is shown in the following diagram:-



## 4. Stakeholder engagement and results with future proposals

**The following section outlines the significant level of interaction with some of the principal stakeholder groups as outlined by the Stakeholder strategy. It also indicates that WWU is a “listening” organisation, by changing its outlook, processes and procedures as a result of this interaction.**

**Finally, we identify our proposed interaction into the future.**

### 4.1. Gas Consumers

Consumers who have received actual services of emergency and repair, connections or replacement.

#### 4.1.1. Why the views of these stakeholder are important

The views of these groups are of particular importance to us because over 170,000 consumers experience at least one of these services from WWU every year. It is also these customers that are surveyed in the Ofgem customer satisfaction surveys for the incentive regime in RIIO GD1 under the Broad Measure of Customer Satisfaction.

#### 4.1.2. Previous Engagement Process

Interaction with these groups over the past two and a half years has included leaving impression cards with consumers following completion of work at their property and logging and responding to their feedback as well as inviting feedback through our web site, and carrying out and acting on complaints through root cause analysis.

Whilst WWU is, generally, a leading consumer service player, we realise there is more work to do to maintain this position. This includes an internal and external stakeholder focus.

#### 4.1.3. What have we done differently?

The benefit of this process of engagement has improved service levels to consumers in each of these three key areas through:

- Better systems to make the service more efficient.
- Reducing lead times on connections work.
- Offering consumers’ shorter appointment time slots.
- Reviewing and improving communication with consumers.
- Improving consumer self service opportunities.
- Employing innovative training methods to develop the skills of staff who have direct consumer interaction.

Other forms of staff development have included supporting 150 back office staff who have achieved NVQ levels 2 and 3 in Customer Service.

We have also improved our complaints handling process by appointing managers to make personal visits to consumer properties and offering a free phone number for consumers to log complaints as well as introducing consumer satisfaction questionnaires which are sent out at the end of the process. Our representatives, including contractors,

also now offer to wear plastic shoe guards before entering consumers' properties as a sign of respect for their homes. A combination of all these improvements introduced from consumer feedback has resulted in WWU winning the Society of British Gas Industries Customer Service award for the last 3 consecutive years.

#### **4.1.4. Future Plans**

We plan to engage more directly with consumers who have experienced the service that WWU currently delivers through each of these work streams in the form of focus groups of 8-12 participants. We will engage a wide range of consumer groups including businesses, professionals, students, and families with children, different social groups as well as vulnerable and retired groups. These sessions would last approximately 90 minutes and consumers will be offered incentives to attend and to give their feedback after carrying out some pre work to encourage constructive debate over the issues on which we wish to consult. The discussions will give us first hand feedback and help us further understand our consumers' views, motivations and perceptions, thus enabling us identify and prioritise service improvements.

### **4.2. New Connections customers**

#### **4.2.1. Why the views of these Stakeholders are Important**

The Connections Business is driven by consumer requests for works. The views of new connections consumers feature significantly in customer surveys, and traditionally, they have been the most difficult consumer group to satisfy. In order to offer a high level of customer service, it is essential that we listen to the views of this stakeholder group, and that we act on their views.

#### **4.2.2. Previous Engagement Process**

**Suppliers** - We meet regularly with a number of Suppliers to discuss connections performance. The main feedback has been that they want to reduce timescales. As a result, we have implemented a process of emailing of quotes and planning letters, and have agreed query procedures and Service Level Agreements. They have indicated that they would like a self service quote facility via our website and to be able to track the progress of jobs in the same way.

**Fuel Poverty** – demand for the connection of fuel poor consumers is increasing and we recognise we can play our role in helping to reduce fuel poverty by offering a gas supply to those properties currently using higher cost, and less environmentally efficient fuels. We were fully engaged with Ofgem in the development of the Fuel Poor Scheme and we have appointed three partner organisations to work with us to deliver fuel poor solutions across the whole of our network geography. We have already completed over 3,000 connections<sup>10</sup> and we will continue to develop our work to fully support this initiative. WWU has been a key player with various local and national forums to gain an understanding of the role we can play in tackling fuel poverty and in promoting a fuel poverty scheme. We have engaged with a large number of organisations including;

- Welsh Government (Fuel poverty forums and Climate Change).
- National Energy Action.
- South West Carbon Action Network.

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<sup>10</sup> As at October 2011

- Local Authorities.
- Housing Associations.
- Fuel Poor partners (Warm Wales, Carillion and British Gas).
- Care Agencies.

**One-off Domestic Consumers** - we carried out an exercise at the start of 2011 where we phoned a sample of consumers after the quote had been produced. Whilst being useful the results gave no firm conclusions of how we should tailor our services. Some consumers thought our forms were clear and concise whilst others found them confusing and difficult (see our future proposals on this).

#### **4.2.3. What have we done differently?**

We have streamlined our processes to reduce the number of times we pass consumers onto other internal departments. We have significantly rationalised the information we need to capture within our new Customer Relationship Management system and revised the correspondence used for the process. We now offer the option of email correspondence to consumers.

We have put additional resources into fuel poverty to manage the initial enquiries from Housing Associations and Councils as well as from Suppliers. We have agreed to jointly attend a number of fuel poor forums with Warm Wales during the Autumn of 2011.

#### **4.2.4. Future Plans**

**Suppliers** – we propose to create a connections survey for gas suppliers. This will be followed up by meetings with each of them with priority given to those with issues they want to discuss or services they would like to see us deliver.

We also intend to interact with a number of agencies in the short term as indicated below:-

- Care & Repair Wales.
- National Energy Action\Carbon Action Network South West.
- Chartered Institute of Housing Wales.
- Communities First Annual Conference.

**Fuel Poverty** - WWU will attend a number of fuel poverty forums. They are:

- National Energy Action Wales.
- National Energy Action South West Fuel Poverty Forum.
- National Housing Federation, South West Housing & Maintenance Conference.

We also propose to meet with the Centre for Sustainable Energy to refine work already done by the Welsh Government on mapping fuel poverty areas against opportunities for extension to the gas network.

We will use these sessions to further understand the role we play in tackling fuel poverty, to establish a priority based approach to looking at opportunities and sharing this information with relevant parties. We will also review the services we offer, in particular how we can better identify vulnerable consumers and those living in the Index of Multiple Deprivation top 20% areas.

**One-off Domestic Consumers** – this section covers consumers who have received actual services from WWU and includes domestic consumers. We propose to hold 2-3 events, regularly, across our geography where we engage “face to face” with domestic consumers who have used our service as a one off event. This would allow a more structured group session with this stakeholder group on the connection process, the range of services and the overall customer service experienced:-

- Application process.
- Internet based services / working hours / telephone quotes.
- Understanding of pricing.
- Payment.
- Scheduling.
- Communication throughout the process.
- Timescales.
- Range of services provided.
- Quality of work.

**Developers** – we plan to understand the cost and service delivery drivers that influence the choices made by developers, with a view to modifying our processes. In order to do this, we plan to:

- Attend a number of house builder events in Wales and the South West of England, where liaison can be made with developers, social housing providers, local authorities and gas suppliers.
- Become “closer” to the house builders associations of the National House Builders Council and Home Builders federations.
- Understand better why when we provide quotes for connections we are unsuccessful or successful:
  - We propose to hold a number of stakeholder events (Wales and South West of England) with a cross section of those we do work for to understand our strengths and weaknesses.
  - Hold a stakeholder event to meet with a cross section of developers who use us to obtain prices but then contract the work to a third party - this will help us to understand what service they expect from us and the criteria for success.
  - Approach those developers who do not currently use our services. This is an opportunity to understand what role the Independent Gas Transporters and Utility Independent Providers will take going forward.
- And following these events, playback to stakeholders on changes that we propose to our process, to demonstrate that we have listened.

### **4.3. Gas shippers**

#### **4.3.1. Why the views of these stakeholders are important**

From the outset, gas Shippers were identified as a key stakeholder group and we meet with a variety of large and small gas shippers on a one to one basis as well as collectively with other networks to make efficient use of their time. The one to one agendas are jointly put together. Some of the key themes to come out of the sessions regularly were:

- Lack of constructive engagement with National Grid pre 2005.
- Lack of knowledge of how gas transportation costs and allowed revenues actually impact shippers.
- Lack of understanding of the Uniform Network Code, credit management rules and obligations.
- A lot of time wasted by the shippers in trying to forecast network charges.
- Charging volatility.
- Concern over transparency of charging issues.
- Concerns over the customer experience with Xoserve.

#### **4.3.2. What did we do differently as a result of the process**

To address these key issues WWU played a leading role in setting up the following:

##### **Energy Networks Association Gas Distribution Charging Methodology forum**

WWU played a leading role in setting up a forum where all shippers could meet and discuss charging issues with Gas Distribution Networks (GDNs).

The GDNs have developed a voluntary, industry wide quarterly forecast to all Shippers of future charges, for the next five years. This has been recognised by Ofgem and shippers as an energy sector best practice and the electricity DNOs have now followed suit. This was a key step forward and appears to be an effective tool in addressing the issues highlighted in 2005 by a number of shippers.

The group is also able to develop consistent charging methodologies on a national basis using the input from all shipper groups. The group now works effectively by consulting with shippers to ensure transparency in charging. Many of the charging methodologies were based on historic data and much work has been undertaken to update charging functions to better reflect network specific costs.

##### **WWU specific winter seminars and Ten Year Development Statement**

Each year we have held a winter seminar with Shippers to highlight the outcomes from our annual Long Term planning process. In addition to this, we place a Ten Year Statement on our website which gives all stakeholders an annual update of future demand and supply forecasts, as well as an annual update on evolving commercial arrangements.

## **Evolution of commercial arrangements between Networks, National Transmission and Shippers**

As a requirement of the network sales in 2005, Ofgem required the industry to look at possible future changes to commercial arrangements between shippers, Gas Distribution Networks and Gas Transmission. WWU were (and continue to be) fully involved in the key developments which are:-

- Moving all connected loads to a firm basis. About 10% of shippers have interruptible contracts and there was a growing concern about the equity of charges between firm and interruptible loads.
- The development of annual auctions that promote demand side management. There is a clear recognition that before networks build capacity to deal with future growth, a key option is to explore demand side options from shippers. WWU were at the forefront of the communications structure and information requirements of the now, annual, auction process.
- Joint Xoserve / GDN sessions with shippers. To address the key concerns of shippers over the services received from Xoserve, we have been fully engaged in quarterly sessions with shippers to deal with day to day issues as well as longer term strategic directional issues.

The benefits all of all these actions are a more effective and efficient network for all our customers.

### **4.3.3. Future Plans**

Our future plans are very much to build on the successes of the last few years in constructing relationships with shippers, other network operators and Ofgem to provide mutual benefit to all industry participants.

## **4.4. Gas suppliers**

### **4.4.1. Why the views of these Stakeholders are Important**

There are, clearly, joint areas of interest that concern both suppliers and GDN's. Key interactions with Suppliers have been in the areas of:-

- Post emergency metering service (PEMS).
- Smart metering.

### **4.4.2. Engagement process**

To address these key issues WWU played a leading role in setting up the following:-

**Post Emergency Metering Service** - we have held a number of meetings since 2005 with suppliers to discuss the Post Emergency Metering Service arrangements, including pricing, the range of services such as inclusion of water ingress and most recently the future of Post Emergency Metering Service under smart metering arrangements.

**Smart metering** – WWU are at the forefront of GD's in preparing for the impact of smart metering, and in mitigating the impact through better joint understanding with suppliers. Our involvement in smart metering has been through:-

- The Energy Networks Association's Smart Metering Operations Group (SMOG) Using that as an "expert group", we have developed impact modelling.

- Through a number of engagements with gas suppliers in plenary sessions and one to one sessions where we have shared programme rollout information, and discussed processes and service levels.
- Through tracking the “trials” being implemented by gas suppliers to validate that our assumptions are being reflected in real life.

#### **4.4.3. Future Plans**

We believe that engagement over the short and medium term in relation to Smart Metering will form a substantial portion of our engagement programme. This is likely to continue to 2014 which is the planned start date for mass rollout. Due to the significant impact of Smart Metering, we have prepared a separate business plan document on this particular subject.

### **4.5. Street works authorities**

#### **4.5.1. Why the views of these stakeholders are important**

There is a wide range of legislation in place governing how activities in the public highway are undertaken, compliance with which is monitored and enforced by Highway Authorities.

In addition, Highway Authorities are legally required to co-ordinate works in the public highway with the aim of minimising the impact on the travelling public and local residents. Therefore Highway Authorities are increasingly directing the timing and duration of works, impacting on the efficient delivery of our various engineering activities, particularly the mains replacement programme.

Although Highway Authorities in the South West of England and Wales continue to operate under Noticing schemes, the terms of the Traffic Management Act gives individual Highway Authorities the ability to implement a Permit scheme, giving them increased powers to direct the timing and duration of works.

To ensure the needs of WWU, Highway Authorities, local residents, businesses and the travelling public are met, as well as minimising the need for a Highway Authority to consider an alternative scheme, an on-going collaborative and pro-active approach is required.

#### **4.5.2. Previous Engagement Process**

**England** – South West Highway Authorities and Utilities Committee is a quarterly meeting with all Highway Authorities and utilities in the South West of England. In addition to this, WWU is also actively involved in the South West best practice working group working with Highway Authorities and utilities to improve specific areas of performance, with reinstatement “coring performance” being a present focus area.

**Wales** – South East Wales, South West Wales and North Wales Highway Authorities and Utilities Committee meets quarterly with all Highway Authorities and utilities in each of the respective areas. In addition Welsh Highway Authorities and Utilities Committee is held three times a year with all Highway Authorities and utilities.

Through the various National Joint Utility Group meetings and forums, we are also engaged with the wider street works community (Highway Authorities and utilities) on a regular basis; Energy Networks Association street-works forum, National Joint Utilities Group Board & Operations, Co-ordination Working Group, Publications Working Group.

In addition, we attend various specific Highway Authorities and Utilities Committee & Co-ordination meetings throughout the year, as well as being engaged in daily, weekly site and works specific meetings.

WWU also meets with Highway Authorities where there is a high level of replacement workload, on an annual basis, generally late September through to January, to discuss the following year's workload and to update the rolling 5 year information we have been circulating.

We have engaged with Highway Authorities on future implementation of street works legislation such as permits and lane rental to formulate this business plan.

#### **4.5.3. What have we done differently?**

Recognising the impact our engineering works can have, particularly the mains replacement programme, over the last 2 to 3 years we have pro-actively shared the following financial year's mains replacement programme with Highway Authorities at least 3 months in advance. This allows us to agree a high level works programme which takes into account local needs and requirements. Having agreed a high level programme we then submit forward planning notices to register our interest in a street, further aiding the Highway Authorities in their co-ordination duty. WWU is the only utility to consistently do so.

In addition to the 12-18 month co-ordination, we have also developed processes for sharing our potential five year replacement works through a simple IT application, to aid the Highway Authorities in co-ordinating our programme with any resurfacing plans or other highway works.

Following feedback from national and local forums we have also actively developed a communications process to improve the level of information shared with stakeholders prior to and during our engineering works. This includes site specific signage, joint press releases, radio adverts, local presentations and drop-in centres and standard information sheets - all of which have been well received. We have also developed a DVD which is sent to all consumers explaining the nature of the work and how we propose to deal with the potential disruption.

As well as the areas mentioned above, we are also involved in various other initiatives to improve the standard of our works. An example of this is the South West Best Practice Group where we have been working with a number of utilities and Highway Authorities to improve the standard of reinstatement works which, although still on-going, has already increased our performance by circa 20% in a 12 month period.

#### **4.5.4. Future Plans**

Whilst all the above interactions allow us to monitor on-going performance and address any specific performance issues, they generally do not allow thinking on a more strategic basis. We, therefore propose to hold regular street-works forums.

The Highway Authorities voiced a clear desire to engage with us more often during our RIIO business plan discussions. Therefore, we will engage more often with the 44 highways authorities in our area to deliver improvement plans that reduce the impact of our works on the public. Highway authorities made a valuable contribution to our stakeholder engagement process.

We also propose to hold a number of one off stakeholder engagement events with the other key utilities in our operational area.

#### **4.6. Health and Safety Executive**

Health and Safety Executive (HSE) – Gas Transporters’ Operational Safety Group which is the joint HSE/Gas Distribution Network (GDN) strategy group.

##### **4.6.1. Why the views of this stakeholder are important**

This is the primary, national, joint group where all of the GDNs meet with executive members of the HSE to convert national HSE/Government policy into strategy.

##### **4.6.2. Engagement process**

The engagement takes the form of six monthly meetings, with significant WWU involvement, and where sub groups are frequently led by WWU senior managers and executive team members, e.g. Safety Performance Indicator development; steel pipe strategy.

##### **4.6.3. What did we do differently as a result of the process**

The process is useful in being the catalyst in converting the views of HSE into practical reality, and WWU are often seen as lead authority in the activity, with an example being the development of process safety Key Performance Indicators.

##### **4.6.4. Future Plans**

Our future plans are around a continuation of proactive engagement through both regular, six monthly meetings where all GDNs are present plus a series of “one-to-one” meetings with the HSE policy team. The subjects of engagement will include:-

- Holistic view of asset risk.
- Management of ageing assets.
- Process safety.
- Pipelines Safety Regulations 1996.

#### **4.7. Health and Safety Executive, Safety Case Manager**

The Safety Case Manager is the local liaison with WWU’s HSE lead individual and with specialist pipeline inspectors.

##### **4.7.1. Why the views of this stakeholder are important**

The HSE are a significant player in GDNs retaining their safety case approval which is a key function of existence as a gas transporter. The view of how WWU satisfies our safety case requirements, and how the consistent application of national HSE strategy is satisfied by WWU’s plans, is significantly influenced by the views of the local HSE staff.

##### **4.7.2. Engagement process**

WWU currently holds six monthly meetings with the HSE at a local level, through proactive engagement, providing HSE with detailed performance information and through sharing plans and actions.

##### **4.7.3. What did we do differently as a result of the process**

We have incorporated suggestions from the HSE into WWU systems for managing safety and the security of supply to consumers. Changes made by WWU as a result of this engagement include:-

- Our strategy on low pressure gas holders.
- Treatment of risk within multi occupancy buildings.
- Development of process safety indicators.
- Improvements to the monitoring of effectiveness of cathodic protection systems.

#### **4.7.4. Future Plans**

Both WWU and the HSE find that the existing process is effective. We intend to continue the process as part of our business as usual cycle, through a series of proactive events carried out, on a six monthly basis. This is the best way, in our experience, to foster a joint approach between the HSE, both the policy team and the local inspectorate, and WWU. This enables an aligned strategy and more opportunity for best practices and innovation developed within WWU to be shared across the UK, including into the oil pipeline industry through, for example, process safety indicators.

#### **4.7.5. Subject of engagement**

Whilst the subjects of engagement will vary through the planned period, and may well be influenced by external factors, our current view is that key points would include:-

- Mains replacement programme.
- Management of gas escapes.
- Contractor management.
- Supply isolation and restoration plans.
- In addition to this routine engagement process WWU have also been engaged in a separate process relating to the review of the Iron Mains Replacement Policy Programme (IMRP). Following a planned HSE, WWU has had a significant level of engagement relating to both the review and the proposed changes to the programme. This process is currently ongoing and is likely to be concluded prior to 2013, although some level of engagement will be expected to continue throughout RIIO-GD1.

### **4.8. Other Gas Distribution Network operators**

#### **4.8.1. Why the views of these stakeholders are important**

As part of network sales in 2005, four gas distribution ownership groups were created:-

- National Grid Gas.
- Scotia Gas Networks.
- Northern Gas Networks.
- Wales & West Utilities.

Whilst many benefits were associated with the sale of the networks, there were risks that fragmentation would lead to:-

- A lack of consistent application of safety standards - see following sections.
- A loss of learning of best practice across all GDNs.
- Complex, multiple interfaces with shippers, adding system and administrative costs.

- Fragmentation of Government and Ofgem relationships with networks that could put security of supply and energy policy at risk.

The primary enabling structure that allows a co-ordinated approach on a number of subject areas has been the Energy Networks Association which forms a focal point for interface with other GDNs and hence to other stakeholders.

#### **4.8.2. Engagement process**

The Energy Networks Association was developed from its previous electricity only focus at the time that the Gas Distribution Networks were established, in order to provide a commonality of approach. All GDNs have pro-actively contributed to the setting up of several national working groups through the Energy Networks Association to ensure efficient development of the industry on a national basis.

The Energy Networks Association also includes all of the large Electricity Distribution Network Operators and Transmission Operators in Great Britain. This promotes learning and commonality across sectors. The group also provides a key focus point for Ofgem, Government, gas shippers and other key stakeholders to raise and resolve national issues. WWU has been a full pro-active member since 2005, and we have a Board representative, and representatives on every gas working group. Our philosophy has been to put key senior managers on the Energy Networks Association working groups to ensure the best representation and learning for our business. The principal groups include:-

- Gas Networks Collaboration Forum including:
  - The innovation group.
  - Technical Standards.
  - Gas Transporters Incident Review Panel which is a group established to share best practice and learning from events. This is a group chaired by WWU. As a result of this process, we have made a number of changes to our health and safety, asset management and environmental systems. It is our intention to extend the engagement to other groups and organisations.
- Communications.
- Regulation.
- Gas futures.
- Smart metering.
- Distributed Gas group – see following section on distributed gas.
- Transportation charging methodology group.
- Energy Networks Association street works group – see further information on Highways Authorities as a discrete stakeholder group.

#### **4.8.3. What did we do differently as a result of the process**

Through the various groups, we have helped to develop a number of innovative approaches that have been instrumental in taking the fragmented GDNs through to singular co-ordinated approaches on a number of fronts, and in doing so, improved measurably the delivery of value to a number of stakeholders.

#### **4.8.4. Future Plans**

Our future plans see us taking a leading part in both the Energy Networks Association itself, and on all of the critical working groups. By doing this, we will serve the needs of other stakeholders, and promote the learning and innovation required to face up to future challenges.

#### **4.9. National and Regional Government**

##### **4.9.1. Why the views of these stakeholders are important**

Clearly, national and regional government are the policy formers in respect of the future energy mix, environmental issues, and specialist areas such as roads and transport policy. Our intention is to provide specialist information to assist in policy decision processes, to influence these groups to achieve goals, and also to receive feedback on current and future policy.

##### **4.9.2. Engagement process**

Our past actions have involved an interface with the Parliamentary Group for Energy studies, the interaction with Members of Parliament and Welsh Government Members on the business planning process for RIIO-GD1, membership of forums run by the Welsh Government, and involvement on street works issues.

##### **4.9.3. What did we do differently as a result of the process**

We have taken account of views received from the Parliamentary Group on the future of gas in the energy mix, taken views from Members of Parliament and Assembly Members into account in our business planning process, and used the interactions on street works issues to manage our street works processes.

##### **4.9.4. Future Plans**

Our future plans are to engage and influence debates in key areas such as safety within the industry, fuel poverty, renewable gas technologies, skills development and the development of an appropriate energy policy to ensure a balanced energy mix.

#### **4.10. Renewable gas developers/operators**

##### **4.10.1. Why the views of these stakeholders are important**

Scenarios that portray a healthy future for the use of gas in the UK quote the importance of the use of distributed gas as a renewable source. It is therefore important to us in ensuring that a fuel of choice is made available in the long term, by enabling the connection of renewable gas sources.

This is a new area for GDNs, but it is our intention to become a leading player in developing processes, commercial proposals and in resolving quality, odourisation and metering issues. To do this, our intention is to fully utilise associations such as the Renewable Energy Association (REA), universities and other relevant experts to help us deliver the right solutions into the future. We also work as part of the Energy Networks Association's distributed gas group to make sure that there is a common approach to this subject, and that innovation may be shared.

#### **4.10.2. Engagement process**

The current engagement processes have involved meetings held with a major water utility in our area, meetings with the Renewable Energy Association, a local university and a workshop at Didcot to understand the issues around distributed gas and the requirements of producers wanting to connect to gas networks. We are also active members of the Energy Networks Association Distributed Gas Group, which we currently chair.

#### **4.10.3. What did we do differently as a result of the process**

This subject area is in its infancy, so our activities have been very much at the stage of understanding requirements and issues, and in determining potential solutions. We have been involved with Dwr Cymru Welsh Water, the regional water and sewerage company, in the formulation of their strategy for the use of biogas at a significant North Wales sewage treatment plant. This has provided us with a real example on which to base our policies and procedures.

#### **4.10.4. Future Plans**

We plan to work with others, local universities, the Renewable Energy Association, potential customers and the Energy Networks Association to develop processes, commercial arrangements, and to overcome gas quality and technology requirements.

### **4.11. Supply Chain**

#### **4.11.1. Why the views of these stakeholders are important**

Effective stakeholder engagement is an essential ingredient in an optimised supply chain. The WWU supply chain is no different. The WWU supply chain engages the services of circa 900 different suppliers and services. Without being effective in stakeholder engagement the supply chain runs the risk of not delivering robust, fit for purpose solutions to the business.

We set out below the stakeholders in the supply chain, how they are engaged by WWU and some examples of our successful stakeholder engagement.

WWU will always need to have a stakeholder strategy for the supply chain – but it will be a strategy that will change as the supply chain and needs of the business develop. It is recognised that a stakeholder strategy that does not evolve will not deliver value over time.

#### **4.11.2. Engagement process**

**Suppliers and third party vendors** - WWU's procurement organisation operates both formal and informal supplier management processes depending on the strategic nature of the supplier. This means that both scheduled, formal contract management meetings as well as informal sessions are regularly held with suppliers. Supplier management extends from simple issues like invoice queries and address detail changes to innovation and product forums.

The WWU product forum meets monthly to cover innovation, issues and changes within the supplier market of goods and products. The sessions are facilitated by the Asset Management directorate, but are also attended by Operations and Procurement departments. The sessions allow the suppliers to promote new products and inform

WWU stakeholders of the latest innovations, and to allow WWU's requirements to be incorporated into future solutions.

WWU Procurement also hosts Supplier Category Days; recent example is a Polyethylene Pipe Day which was held with pipe suppliers as well as representatives from within WWU.

### **Strategic Outsource Partners**

WWU also outsources certain business activities. The decision to outsource is not made arbitrarily but after a process of market testing and internal capability, capacity and cost assessment. The key areas that WWU has outsourced are:

- Third Party Logistics.
- Fleet management, sourcing and leasing.
- IT Infrastructure Support.
- IT Applications Support.
- Energy Management.
- Facilities Management.

Regular interchange with these providers enriches the WWU knowledge base as they are integral to the WWU business and each brings a particular area of expertise to the wider business.

## **4.12. Sector Skills Council**

### **4.12.1. Why the views of this stakeholder are important**

WWU works closely with our sector skills council – Energy & Utility Skills<sup>11</sup>. We work with our local Energy & Utilities Skills Directors to influence local training providers and colleges and develop fit for purpose solutions to skills issues. They are a useful conduit between companies in the gas industry and we fully support and endorse their philosophy of collaborative working.

### **4.12.2. Engagement process**

WWU's Human Resource and Training teams meet regularly with the Skills Directors to discuss our needs and challenges relating to skills. They assist by brokering collaborative arrangements between companies' training providers and educational establishments to adopt a cohesive approach to employer led training.

An example of this is our arrangement with Energy & Utilities Skills and Cardiff & Vale College who are accrediting our training programmes and delivering training to our staff. This has been particularly successful in seeking best value training provision.

We take an active role in the South Wales Utility & Construction Forum which has been developed by Energy & Utilities Skills as a mechanism to share best practice and ideas. This forum meets quarterly and has discussed topics such as Leadership & Management,

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<sup>11</sup> Energy & Utility Skills (EU Skills) is the Sector Skills Council (SSC) for the gas, power, waste management and water industries, licensed by Government and working under the guidance of the UK Commission for Employment and Skills (UKCES). Employer-led, our purpose is to ensure that our industries have the skills they need now and in the future.

and Incident Management, as well as more general issues. Other attendees include Amec Utilities, Carillion and Daniel Contractors Ltd.

We have also worked with Energy & Utilities Skills to identify future skills gaps by using their Workforce Planning Model which is a tool to assist in predicting gaps, thereby allowing positive action to be taken. This is particularly relevant to address gaps produced by the ageing workforce and by new technologies such as Smart Metering.

#### **4.12.3. Future Plans**

We have recognised that such collaborations have the potential to add significant value in terms of cost effectiveness and best practice and will seek to develop other relationships in this way going forward.

In addition, along with other utility companies, we are currently supporting Energy & Utilities Skills in the early stages of development of a 'Talent Bank' which seeks to improve collaboration in training for current and future skills.

### **4.13. Wales & West Utilities Staff**

#### **4.13.1. Why the views of these stakeholders are important**

Feedback, opinions and suggestions from our people are key elements in the success of WWU. A significant element of WWU's work plan and our interaction with other stakeholders is carried out by WWU's own staff. This is particularly important in areas such as customer facing work. We engage with staff both formally and informally in a number of ways, seeking feedback on policy, strategy, customer service and local issues.

#### **4.13.2. Engagement process**

We use many means to communicate information to staff, such as "all staff" emails, intranet facility, team briefings and company newspaper. We also run a suggestion scheme which gives staff the opportunity to provide suggestions for improvements to roles, processes and methods of working. However, to supplement these relatively basic methods, we have developed our strategy to make it more holistic and engaging by incorporating a range of activities.

Key strands to our staff engagement strategy are:

- The employee survey.
- Round table events.
- Employee Roadshows.

WWU hold regular 'Round Table Events' when the Executive Team meet with a group of around 30 managers and staff at a different WWU locations each month.

The purpose of round table events is to facilitate unstructured meetings between the Executive Team, local managers and staff to hear their views, suggestions and feedback. Suggestions such as the following have been made:

- Improvements to systems such as the display of repair risk scores.
- Improved Traffic Management plans for depots.
- Changes to the drivers for the Performance Management Scheme.
- Recruitment of Apprentice Team Leaders for the repair function.

- Changes to the near miss reporting process to make it more inclusive to contractors.
- Improvements to the Safe Control of Operations process.

These meetings are also undertaken by Senior Managers and Directors within WWUs Head Office.

**Employee Roadshows** - whilst the round tables are effective as they facilitate discussion and feedback from the shop floor to Senior Management, we recognise that we can only reach a relatively limited audience this way. This is therefore supplemented by Roadshows undertaken by the Executive Team. These, typically, occur every other year, with around 80% of staff attending. These are more formal events at which the Chief Executive gives a detailed business update with the opportunity for a question and answer/feedback session on any topic staff would like to raise. These have been carried out at times of business change, or impending business change. They have been held, for example, on the formation of WWU to outline the business challenges, and as a result of the 2008/13 regulatory determination to outline WWU's response and the plans for delivering the key business outputs. At these Roadshows we have also taken the opportunity to update staff on the feedback received via the 'Employee Survey'.

The key messages from the Roadshows, along with frequently asked questions are published in the company newspaper to ensure consistent messages.

#### **4.13.3. Future Plans**

We strongly believe that the active contribution of staff will become even more critical in maintaining WWU as a leading GDN, measured by customer service, safety, and environmental metrics, and in successfully delivering our work plans.

We intend to continue with all of the successful initiatives mentioned above and to improve our staff engagement by the following means:-

- Issue a copy of our business plan headlines for the 2013/2018 period to each member of staff.
- Extend the use of our Employee Survey to include more business critical issues and in line with our broader stakeholder consultation process.
- Hold a series of Employee Roadshows to brief staff on the plans for the regulatory period.
- Involve staff in the focus groups that we intend to hold with consumers/customers who have had first hand experience of the services provided by WWU.
- Carry out a broader programme of Round Tables involving a wider management population – allowing access to a wider audience and hence more ideas and feedback.
- More communications sent from the leadership team to update staff on business issues, plans and projects more regularly.
- An improved intranet which is more interactive and easy to use.

#### **4.14. Trade Unions**

##### **4.14.1. Why the views of these stakeholders are important**

WWU recognises the value of collaboration and consultation with trade unions, and we work constructively with GMB, UNISON and the Transport and General Workers Union. Over 900 of our employees are members of these unions. The largest group is GMB and we work closely with their Full Time Official who takes the lead on Trade Union matters with WWU on their behalf.

Whilst there are informal meetings and updates, such as a monthly meeting between the GMB Full Time Official and our Head of Human Resources, the majority of the interactions are through formal forums which form part of an agreed constitution.

##### **4.14.2. Engagement process**

We have two formal employee consulting forums – the Network Joint Industrial Council (NJIC) for field force staff and the Local Joint Council (LJC) - for other staff and managers, which typically meet quarterly to:

- Build an understanding of and support for the achievement of business objectives among staff.
- Promote continuous improvement and best practice in the interests of WWU and employees.
- Promote the acquisition and improvement of knowledge skills and capabilities appropriate to business objectives and individual development.
- Negotiate and consult over terms and conditions of employment.

Meetings are attended by senior trade union representatives, Senior Managers and Human Resource representatives and are chaired by the Director of Operations (NJIC) and the Director of Business Services (LJC).

These forums are replicated at local level with Trade Union Sub-Groups, held by Senior Managers in each area of Operations. The meetings are used to discuss and resolve department specific issues with the local representatives.

Due to the safety critical nature of our business, the generalist meetings referred to above are supplemented by a number of Safety Forums, which focus on matters specifically relating to safety. The most significant of these meetings is the Executive HSE Forum which is chaired by the Chief Executive and is held quarterly. Again, the arrangement is replicated at lower levels focusing on each different operational process, and there is an additional one focusing on office matters.

One of the key aspects of the Safety Forums is reviewing the details of incidents and accidents as a group, so that action can be taken to prevent future occurrences.

There a number of other Consultative Forums which are specific in nature such as:

- The Risk Assessment Group.
- The Occupational Health Forum.
- HR/TU liaison meetings.
- Stress Management Group.

#### **4.14.3. Future Plans**

A positive employee relations climate is vital to WWU's success and ongoing engagement with the Trade Unions is a key part of our stakeholder strategy.

There are no plans to change the current constitution as it is regularly reviewed by the trade unions and Management to ensure that it is fit for purpose. It is anticipated that it will evolve with the needs of the business, our employees and the Trade Unions, as it has done to date.

#### **4.15. Banks, Bond Investors and other financial institutions**

##### **4.15.1. Why the views of these stakeholders are important**

WWU are reliant on the desire of lenders to invest in the company to fund our ongoing operations and continuing investment in our assets.

The regulatory model set by Ofgem is heavily reliant on the ability of GDNs to raise debt finance, with the current framework assuming that the notional company has gearing of 62.5% of its Regulatory Asset Value.

WWU typically rely on banks for its short-term lending and bond investors (i.e. pension funds and insurance companies) for its long term financing. WWU are competing with other utilities and "corporates" for a finite pool of funds and hence it is essential that these investors view WWU as financeable and of an appropriate credit quality.

##### **4.15.2. Engagement process**

There are a number of different strands to the engagement process. The primary distinction is between the formal engagement required under our lending arrangements (e.g. delivery of financial statements, investor presentations) and the less formal contact required to ensure that investors are kept aware of developments of both WWU and the gas energy sector as a whole. To this end, WWU meets with key investors and rating agencies to discuss company performance and key developments in the gas sector (which may include discussion of the evolution of the regulatory framework).

##### **4.15.3. Future Plans**

Future engagement will be achieved by continuing to discuss developments with investor groups and to lobby as appropriate. However, it is equally important that WWU and Ofgem communicate effectively with investor groups through their established channels. The failure to communicate the robustness of the regulatory framework and to ensure that this perception is maintained, will ultimately lead to an increase in the financing costs borne by GDNs, which in turn will be borne ultimately by the gas consumer.

#### **4.16. Shareholders and Investors**

##### **4.16.1. Context - Why the views of these stakeholders are important**

Investors in gas distribution have anticipated and have invested on the basis of a steady state business producing consistent long term returns. Investment is not guaranteed in the longer term and is dependent on, amongst other things, a strong degree of regulatory certainty and sufficiently attractive returns. In the RIIO-GD1 period it is essential therefore that the financing package is appropriate. Our investment plans will result in Regulatory Asset Value growth of £1.0bn over the RIIO-GD1 period, producing

a Regulatory Asset Value growth of 21% in real terms, which will require funding through the ability to access the debt markets.

WWU are committed to the success of the implementation of the RIIO framework, but would re-iterate that the detailed application of the RIIO financeability package needs to be sufficient to fund networks; sustain current investment; and attract new investment. This will allow RIIO to succeed and the key UK energy sector deliverables to be delivered.

#### **4.16.2. Engagement Process**

All of the current equity investors in WWU were part of the initial consortium that purchased the gas distribution network from National Grid in 2005 and remain as long-term infrastructure investors. Engagement is through regular Board meetings and reporting. In addition, representatives from our key equity investors attended the Ofgem City briefing earlier in 2011 at which they expressed a number of concerns around financeability and managing uncertainties. These are detailed in Part B4. WWU's investors have been fully engaged in the construction and content of this business plan.

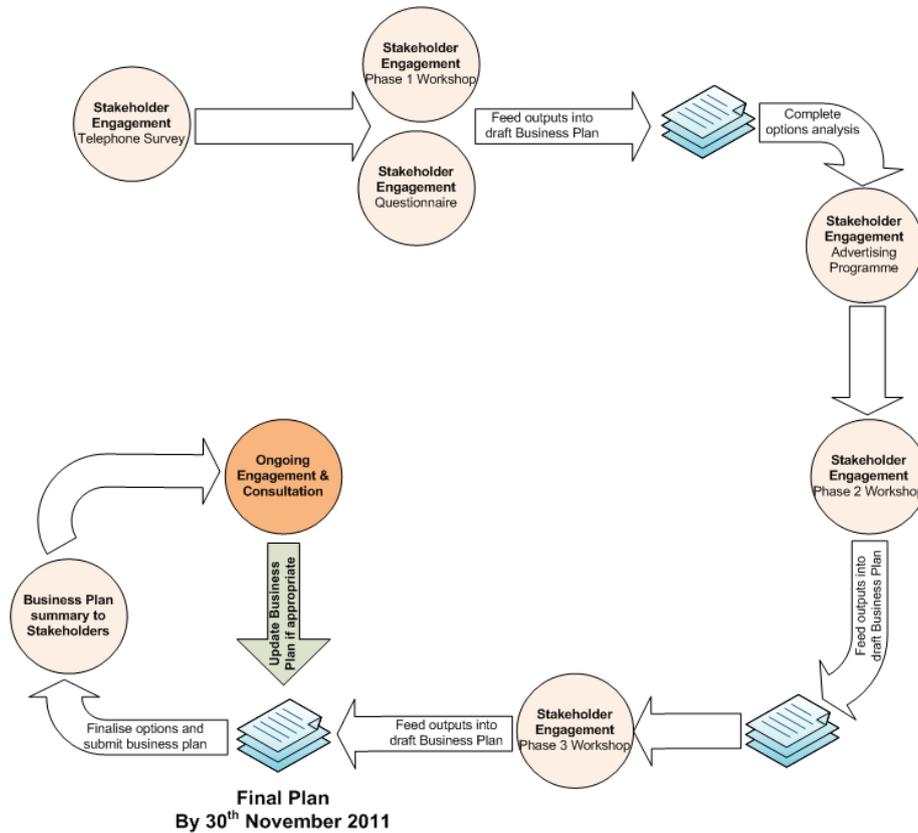
#### **4.16.3. Future Plans**

We will maintain engagement through regular board meetings and special events determined by circumstances.

## 5. Additional stakeholder engagement carried out for the RIIO GD1 process

The methodology employed for the stakeholder engagement process was systematic, based on WWU’s strategy, and deployed by an expert organisation, Green Issues Communiqué, who have had previous experience in this area. The process, which was in multiple phases, was tested for its effectiveness using feedback at all points of interaction with stakeholders. The outputs from the engagement process were then used to influence WWU’s Business Plan for the 2013/21 period.

### 5.1. Methodology, process and results



In order to fully consider stakeholder input into its 2013/21 RIIO-GD1 business plans, WWU engaged Green Issues Communiqué to assist in developing our strategy of engagement and to facilitate the engagement process.

Prior to the commencement of the programme of stakeholder engagement, Green Issues Communiqué reviewed WWU’s stakeholder management plan and stakeholder map. A comprehensive database of individuals and organisations at whom the consultation should be aimed was then produced, along with a document comprising a thorough review of government and regulatory best practice guidance on consultation. Following the review of WWU’s stakeholder map, it was decided primarily to focus on two key

stakeholder groups that required improved focus after considering WWU's business as usual engagement processes. They were:

- Gas consumers and the organisations that represent them.
- Representatives of national, regional and local government.

The engagement process began by contacting all Members of Parliament and Welsh Government Assembly Members within WWU's distribution network area as well as 50 identified core primary stakeholders representing gas consumers, business groups, environmental groups, gas suppliers, gas shippers and major users. This was coupled with an extensive media communication to a readership of over 500,000 people asking for feedback on our proposed plan.

After reviewing the outcomes of this initial contact, it was decided that the engagement process should begin with separate Parliamentary and Welsh Government briefings for Members of Parliament and Assembly Members.

This initial engagement phase also told us that the most appropriate method of engagement for other identified primary stakeholders should be a series of workshops. This method would enable these stakeholders to meet face-to-face with senior WWU personnel and raise issues that were of importance to them. The workshop format would also help to foster a sense of engagement with the process in a way that written and online communication alone could not.

A second phase of workshops would give an opportunity to demonstrate how WWU had listened to the views of our stakeholders by indicating how the results of the first phase of workshops were incorporated into the RIIO-GD1 Draft Business Plan.

The outcomes of all engagement with WWU's stakeholders are shown below:

- There was broad consensus that WWU's emergency response standard of 97% was good and appropriate, but should not be allowed to slip. Over 90% of online responders endorsed this view, with the overwhelming majority stating that it would not be appropriate to pay more to raise this standard.
- Maintaining the 30 year pipe replacement programme was considered a high priority by the majority of stakeholders. Certain stakeholders felt that this programme should be accelerated because of the environmental and safety benefits, although others were of the opinion that this may lead to an increase in disruption.
- Reducing leakage in the pipe network was seen as highly important and it was agreed by the vast majority of stakeholders that this should be WWU's key environmental priority.
- There was no support for an increase in consumer bills to fund environmental initiatives.
- There was consensus that the use of renewable sources of gas should be encouraged but it was not felt that the cost of this should be borne by WWU.
- There was broad agreement that the customer service provided by WWU was sufficient at present and that maintaining the current high standards, rather than seeking to improve them, should form part of WWU's ongoing strategy.

## Part B5 – Stakeholder Engagement

- WWU's strategy with regard to investment in its asset replacement programme, resulting in reduced future expenditure, was commended although it was felt that this should be reviewed at regular intervals.
- There was a good deal of positive feedback for WWU with regard to its work in liaising with local authorities. It was recognised that more could always be done to improve coordination with highways authorities and other utilities. Stakeholders also stressed the importance of adequate notice periods and realistic deadlines.
- WWU's connections service standards were deemed to be good at present and improving this service was not seen as a high priority.
- Stakeholders were generally of the view that WWU should seek to raise its profile, but felt that this should be done in a cost-effective way.
- The Fuel Poor Scheme was widely praised by the overwhelming majority of stakeholders and it was stated that more should be done to make eligible customers aware of it by working with relevant organisations.
- It was felt that WWU should continue to work to extend its network but the consensus view was that the cost of this should be borne by individuals who request a new connection. This was also supported by online respondents.
- It was felt that WWU should work to promote awareness of the dangers of Carbon Monoxide poisoning but should not be expected to provide monitors.

In line with Ofgem guidance on effective enhanced engagement, evaluation of the methods used by WWU to engage with its stakeholders was sourced after all stakeholder workshops. The comments received were overwhelmingly positive. Those who attended the workshops unanimously stated that they found this method of engagement useful and the vast majority stated that enough information had been provided to allow them to make their comments from a position of knowledge.

Following the conclusions of the Health & Safety Executive (HSE) review of the Iron Mains 30/30 programme four further stakeholder sessions were held specifically to test the stakeholder requirements based on the updated HSE conclusions.

As part of the HSE review process, all GDNs have been working closely with Ofgem and the HSE to consider the safety and financial impacts of introducing a new approach. In summary, the HSE proposals could result in some larger diameter iron mains not being replaced within the existing 30 year timescale.

The overwhelming view of stakeholders, at each of the workshops across our geography, is that not replacing all pipes within the existing 30 year timeframe presents an unacceptable level of risk.

Stakeholders also recognised that the cost of repairing leaking pipes on a reactive basis would be inefficient, and the level of unplanned street works disruption would not be acceptable as this would impact local communities and add significant cost to consumers through possible increases to Council Tax.

In order to maintain consistency, Green Issues Communiqué was used to facilitate the process.

## 5.2. How we used the feedback to influence our Business Plan

We used the feedback from the additional stakeholder engagement together with feedback from other key stakeholders, such as the HSE to influence our plans. More detail of the clear linkage between stakeholder feedback and our business plan areas is contained in appendix one of this document.

Our plans to satisfy stakeholder expectation and to satisfy our legal obligations are focused on six key areas:-

- How we invest in the gas distribution assets to reduce the risks of explosion, making sure that the assets are capable of dealing with the peaks of winter gas demands and that levels of reliability are maintained. Over the eight year 2013/2021 period, we intend to invest in the replacement or refurbishment of a number of our pressure regulating stations, and the replacement or reconditioning of significant lengths of underground pipes.
- How we respond to emergencies, maintain our equipment and repair faults. Our activities on the response to emergency and repair will follow our business as usual processes, continuing to provide first class service, even through challenging periods of winter weather. WWU's performance in the past has been exemplary, and we intend to maintain this performance.
- How we raise the awareness of carbon monoxide poisoning. As well as the risks to the members of the public who are exposed to carbon monoxide poisoning, our employees can be significantly put at risk, particularly when they enter domestic premises as part of their "day to day" duties.
- How we connect new consumers, including those connected as a measure to reduce fuel poverty. Whilst house building programmes and business development have seen a period of reduced activity due to the economic downturn, our projections for the connection of new properties is forecast to rise over the 2013/2012 period. We also forecast the continuation of the connection of "Fuel Poor" areas to mains gas, supported by a number of government initiatives. Again, our performance standards whilst making new connections has been industry leading and we propose to maintain this performance.
- How we reduce our environmental footprint. The majority of our emissions are created through gas leakage from deteriorating pipe networks. As a secondary effect of the investment proposed for safety improvements, our gas emissions will reduce. Our other key areas of environmental impact are energy usage, road fuel usage, soil and road materials excavated as a result of our activities and taken to landfill sites, and ex town gas production sites which present an environmental risk due to soil pollution. Our plans will address all of these areas, taking note of the stakeholder feedback that they do not wish consumer bills to rise as a result.
- While doing all of this, deliver exemplary customer service, and value for money. Our customer service performance has been industry leading and we do not intend to let this slip. Our proposals for improvement include investment in processes, systems and by continuing improvement in the competency of our people. Delivering value for money will be achieved through getting the most appropriate mix of work programme delivery through our own experienced and very competent people, and contracts set for those areas of work where our people do not possess the capability or competence.



## Part B5 – Stakeholder Engagement

- Participation in local and national government work groups.
- Working with schools.
- Various industry forums with all industry participants.

From the specific RIIO stakeholder engagement process, stakeholders have told us that they would like to be engaged with us going forward. We will use the learning from our existing engagement to shape our future engagement strategy.

We plan to use ongoing engagement to:

- Communicate our progress against output targets.
- Improve key business processes.
- Stay in touch with stakeholder requirements.

Our future engagement process covers the period from mid 2011 through to the end of the regulatory period. The process is summarised below:

### **6.1. Gas consumers**

- Circulation of the headline business plan through e-mail and mail in 2011 to demonstrate that we've listened.
- Annual process from 2014 to update on progress and to consult on special interest subject areas.
- Focus groups of consumers who have received services from WWU on complaint resolution, new connections, repair and replacement.
- Health and Safety Executive – we will continue our regular meetings at national and local level, supplemented by one to one meetings with policy specialists. We will continue to take the lead on many of the safety issues.
- Ofgem – through regular events, such as the Regulatory Reporting Pack, but also on special subject events, where we intend to take a full part.
- Distributed gas connectors – we intend to work to develop processes that enable potential connectors of renewable and other distributed gas to easily understand requirements and to smoothly process their applications.
- Gas shippers and gas suppliers – regular contact through industry working groups, and with gas suppliers, the special engagement that smart metering will require.
- Supply chain including WWU partner organisations – our plan is to regularly engage with providers of new products through the Product Forum, to engage generally through Supplier Days and to maximise the opportunities for utilising the intellectual property of the supply chain through contract administration processes.
- Staff and trade unions –through staff surveys and regular consultation process, and in respect of training and development through our involvement in the Sector Skills Council.
- Other GDNs – through regular meetings, promoted particularly by the Gas Networks Collaboration Forum and the Energy Networks Association.

## Part B5 – Stakeholder Engagement

- National/regional and local government – we anticipate that our major engagement methods will be through the Parliamentary Group for Energy Studies, through special, annual stakeholder feedback processes, and with the Welsh Government on specialist areas, such as environmental and fuel poverty actions. Our actions with local authorities will be largely on street works issues through special working group events, and through the Highway Authorities and Utilities Committee events.
- Developers including fuel poverty groups – we will continue our work with developer groups, with fuel poverty interest groups and partner organisations.

## Appendix 1. Stakeholder Engagement Conclusions

Phase of Stakeholder Consultation	Output	Consultation Area	Scope of discussion and alternative options considered	Conclusions	Business Plan Input
Phase 1 and 2	Safety	Provision of response to publicly reported escapes	Differing levels of response from the current 97% standard of attendance within 1 or 2 hours. The average cost to the gas consumer for this emergency service would rise considerably for an increase in standard to 99% and only marginally reduce should the standard be changed to 95%	<ul style="list-style-type: none"> <li>There was general consensus that the 97% response standard was impressive but should not be allowed to slip</li> </ul>	<ul style="list-style-type: none"> <li>The business plan has been based on maintaining the current 97% standard of attendance to uncontrolled escapes within 1 hour and controlled escapes within 2 hours</li> </ul>
Phase 1 and 2		Mains and service replacement programme	The cost benefit of a 25 year, 30 year and 35 year programme were presented with costs and benefits, showing that the 25 year programme had the best net cost, and removed the risk quicker.	<ul style="list-style-type: none"> <li>There was agreement that the 30 year replacement strategy should either remain as it is or be accelerated</li> <li>All were in agreement that the programme should not be slowed down</li> <li>Some stakeholders were of the view that accelerating the replacement programme may lead to greater disruption but the consensus was that the environmental and safety benefits outweighed this argument</li> </ul>	<ul style="list-style-type: none"> <li>During the Phase 1 and Phase 2 consultation, significant work was ongoing with the HSE, Ofgem and the other GDNs to consider the alternatives to the current replacement programme</li> <li>Our business plan reflects the 30 year strategy requested, limiting disruption but ensuring the benefits are delivered as soon as reasonably practical</li> </ul>
Phase 3		Mains and service replacement programme in the light of the proposed three tier approach	The consultation was quite specific, and the options considered were:- 1) Risk - whether the way we calculated the risk threshold was sound (i.e. if the 99% confidence factor we were applying was appropriate and acceptable) and 2) Cost benefit analysis - the length of time the benefits would be received for the purposes of calculating the cost benefit	<ul style="list-style-type: none"> <li>There was general consensus across all workshops that WWU should maintain its current replacement programme</li> <li>Representatives of highways authorities felt unanimously that a pre-planned programme of replacement work would be more beneficial than repairing leaks reactively as this would cause less disruption</li> <li>It was also felt that a proactive approach would assist local authorities in their medium to long term planning and would therefore save tax-payers' money.</li> <li>There was a degree of discussion about the cost/benefit analysis of replacing pipes if the UK's reliance on natural gas was to decrease post 2030 but it was agreed across all workshops that this was an 'unknown' and, as such, it was not an option to do nothing in the meantime</li> <li>There was a general consensus that the cost saving to the consumer was not worth the additional risk to life</li> <li>It was noted that it was correct to be asking the question about whether cost savings could be made in times of austerity, but that ultimately safety was not an area that should be sacrificed.</li> </ul>	<ul style="list-style-type: none"> <li>The new three tiered approach to mains replacement has been included in our business plan</li> <li>This changes the justification for replacement in each tier but ultimately delivers the same benefits to consumers</li> <li>The threshold for Tier 2 pipes has been set with a 99% confidence and an additional estimated workload volume based upon a proactive view of a full risk model.</li> <li>The pipes which are being replaced based on a cost benefit analysis have been included using a 45 year benefit period – this in accordance with stakeholders view that this is small price to pay for prevent such risk to life</li> </ul>
Phase 1 and 2		Low pressure gasholder removal	Benefits of environmental remediation and safety benefits discussed	<ul style="list-style-type: none"> <li>The removal of gas holders was not seen as a pressing priority but many felt that the land they currently occupy could be used for development</li> </ul>	<ul style="list-style-type: none"> <li>Whilst stakeholders consulted in this process generally did not believe that removing gas holders was a priority, one specific key stakeholder, the HSE, felt otherwise. They believe that this is a safety priority for the HSE and those living in the vicinity of gasholders. The business plan reflects the removal of high risk gas holders.</li> </ul>
Phase of Stakeholder Consultation	Output	Consultation Area	Scope of discussion and alternative options considered	Conclusions	Business Plan Input
Phase 1 and 2	Customer Satisfaction	Awareness of WWU – who we are, what we did etc.	Whether WWU should take alternative and proactive steps to increase public awareness. This was a reaction to the early stages of stakeholder engagement, where WWU was largely unknown as a gas distribution company	<ul style="list-style-type: none"> <li>There was some support for profile-raising initiatives but it was broadly felt that using existing networks was a better way of going about this than expensive advertising initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Our business plan approach is to continue to utilize the process of stakeholder engagement to raise awareness of WWU</li> </ul>
		Customer service standards	Whether WWU's current level of satisfaction was considered to be satisfactory or whether higher levels should be planned	<ul style="list-style-type: none"> <li>The experience of WWU's levels of customer service was good, but in the light of ever increasing consumer expectation, WWU should look to maintain its industry leading position</li> </ul>	<ul style="list-style-type: none"> <li>WWU's business Plan identifies the actions planned in order to maintain an upper quartile position when measured against other gas distribution businesses.</li> </ul>

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Phase 1 and 2	Reliability	Asset Replacement	Frequencies of interruptions were considered around the current performance of unplanned at 1 in 200 years and planned at 1 in 40 years. Options were to maintain this performance, or to change it, largely by changing the condition of the assets, or the configuration of the assets	<ul style="list-style-type: none"> <li>• WWU was praised for its current strategy with regard to asset replacement and it was felt that reducing expenditure going forward was the right thing to do as long as this did not compromise security or reliability of service</li> <li>• It was felt by many that the asset replacement strategy should be reviewed at regular intervals</li> </ul>	<ul style="list-style-type: none"> <li>• We have also considered the HSE viewpoint in coming to a conclusion.</li> <li>• The HSE's feedback has been positive in terms of the direction WWU are taking utilising innovative Condition Based Risk Management models which determine the Health Index and Risk Metric of assets. However they have been cautious with the support of for a methodology which could see investment being diverted from safety into other benefits, such as customer interruption levels. They do, however, understand that a more holistic based approach can be useful, but with the proviso of still requiring compliance with legislation, such as The Pipelines Safety Regulations.</li> <li>• Our Plan is based on mitigating stakeholder risk broadly at current levels through appropriate minimum whole life cost based interventions.</li> <li>• The need to review our strategy at regular intervals will be done through further risk based evaluations, and by improvements to risk evaluation tools.</li> </ul>	
		New Connections	<p>New connections standards</p> <p>Extension of gas networks into areas not currently enjoying the benefits of gas as a lower cost, lower emissions fuel</p>	<p>The existing standards were considered, plus the feedback from new connections surveys on the need to continuously improve</p> <p>Merits of connecting to gas, and the options for funding the connections</p>	<ul style="list-style-type: none"> <li>• There was broad support for WWUs' connections improvement proposals</li> <li>• Stakeholders were broadly in favour of extending the network.</li> <li>• There was not unanimous agreement on how this should be funded and it was suggested that WWU should continue to work with Ofgem to review this matter further.</li> <li>• The general consensus was that the cost of new connections should be borne by those who request them</li> </ul>	<ul style="list-style-type: none"> <li>• The Business Plan identifies the improvements planned in order to respond to feedback, and to maintain industry leading performance</li> <li>• The Business Plan focuses on our current level of gas extensions to facilitate new development, individuals wishing to connect to gas for the first time and conversions by housing authorities, plus, of course, fuel poverty connections. Existing costing and charging mechanisms are assumed in the Plan.</li> </ul>
		Carbon Monoxide	Whether WWU should fit carbon monoxide alarms, and carry out other risk mitigating activities, whether WWU should equip first call operatives with carbon monoxide monitors and carry out further awareness campaigns	<ul style="list-style-type: none"> <li>• Stakeholders generally agreed that WWU should help to raise awareness of CO poisoning and promote the need for CO alarms through working in partnership with relevant organisations</li> <li>• It was not considered WWUs' responsibility to pay for CO alarms</li> </ul>	<ul style="list-style-type: none"> <li>• The business plan reflects the stakeholder view in that WWU will raise awareness of carbon monoxide poisoning through working with vulnerable groups, and by issuing its first call operatives with personal monitors so that where carbon monoxide levels are high, then the gas consumer can be made aware.</li> </ul>	
Phase 1 and 2	Social Obligations	Fuel poverty	Discussion on current levels of interaction and success factors in providing gas services to fuel poverty households	The Fuel Poor Scheme was widely praised and it was felt that more could be done to publicise it by working with local authorities and relevant organisations	<ul style="list-style-type: none"> <li>• The Business Plan identifies the higher level of interaction proposed with organizations that could enable and influence the connection of fuel poverty households to gas supplies</li> </ul>	
		Street Works	Whether WWU should do more to minimize its impact on the public through street works	WWU was praised for its liaison with highways authorities but the importance of adequate notice periods and achievable and transparent deadlines was stressed by many representing local authorities	<ul style="list-style-type: none"> <li>• As a result of the interaction with stakeholders, WWU has planned "workshop" activities in all street works regions to determine improvements in its street works processes and interactions</li> </ul>	

Phase of Stakeholder Consultation	Output	Consultation Area	Scope of discussion and alternative options considered	Conclusions	Business Plan Input
Phase 1 and 2	Environment	Leakage of methane from WWU assets	As the most significant element of WWU's carbon footprint is through gas leakage from the mains and services assets, the environmental options and mains replacement strategy were inexorably linked.	<ul style="list-style-type: none"> <li>The consensus was that WWUs' key environmental priority should be to reduce leakage in the network</li> </ul>	<ul style="list-style-type: none"> <li>The environment strategy contained in the business plan reflects stakeholder preference for replacement of mains and services</li> </ul>
		Other environmental impacts	The impact of other environmental impacts were discussed	<ul style="list-style-type: none"> <li>There was no support for an increase to consumer bills to fund environmental initiatives such as the reduction in energy use by the business</li> </ul>	<ul style="list-style-type: none"> <li>Our environment strategy includes a commitment to recycling of excavated spoil and in general waste management areas, as well as carbon footprint reduction on fuel and supply chain impacts where they have been proven to be cost neutral</li> </ul>
		Connection of renewable gas	The sources and benefits of renewable gas were discussed	<ul style="list-style-type: none"> <li>There was support for initiatives to encourage the use of renewable sources of gas but it was felt that it should be the responsibility of suppliers and Government to fund this rather than WWU</li> </ul>	<ul style="list-style-type: none"> <li>In respect of renewable gas, our business plan indicates how we will move to a position where we make processes for the connection of renewable gas as simple as possible. Funding for the connection of renewable gas will remain through established funding processes, unless there is a change of policy accepted by Ofgem.</li> </ul>