

Moving forward together

Wales & West Utilities
Annual stakeholder report
April 2013 to March 2014

WORKING WITH YOU





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Wales & West Utilities – who we are and what we do

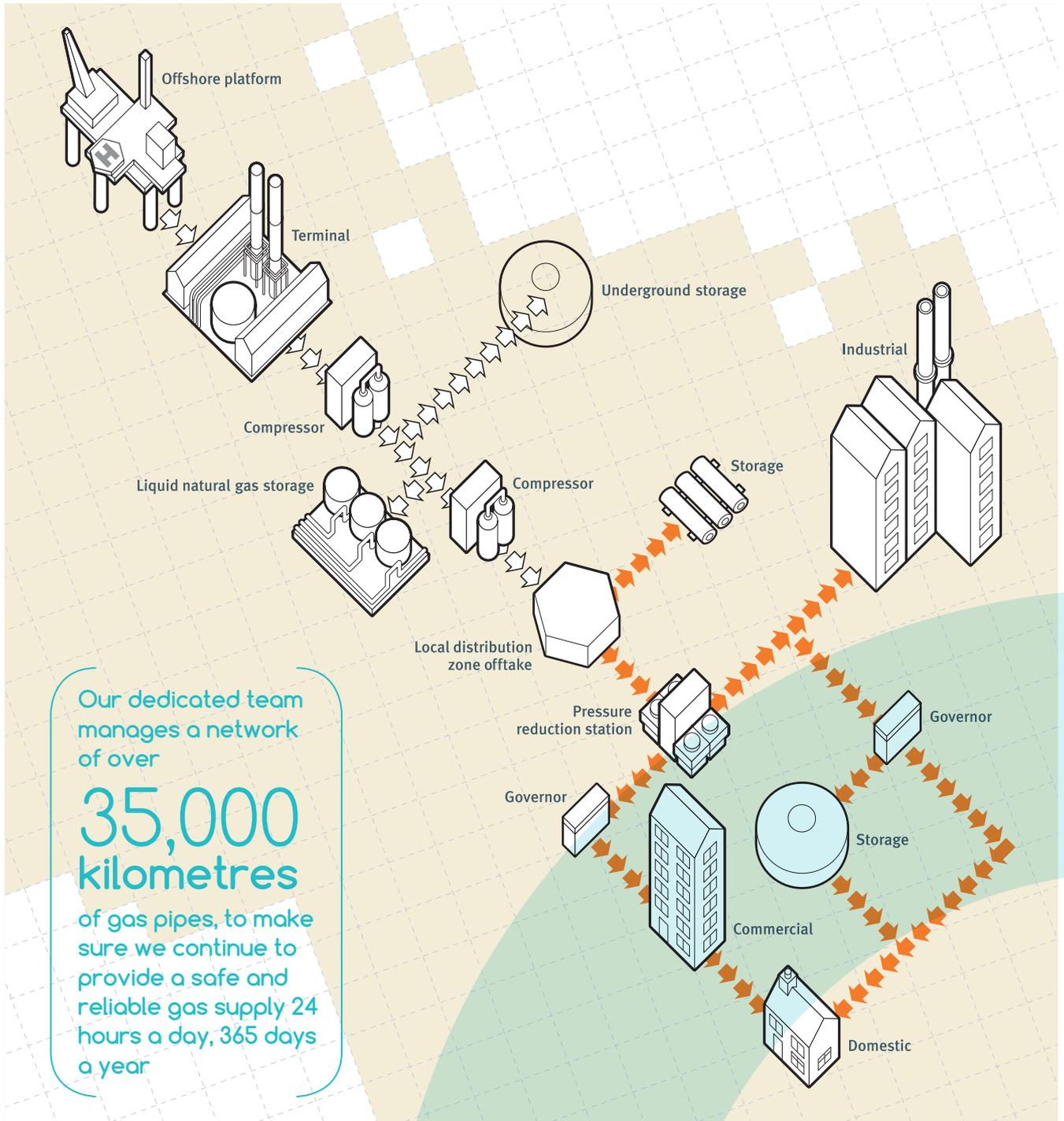
At Wales & West Utilities (WWU) our job is to provide the infrastructure to deliver gas safely and securely to 2.5 million homes and businesses across Wales and the south west of England. We do not sell gas, we transport it and over 7.5 million people within our area rely on us to do so.

Our dedicated team manages a network of over 35,000 kilometres of gas pipes to make sure we continue to provide a safe and reliable gas supply 24 hours a day, 365 days a year. This involves responding to gas emergencies, maintaining and replacing our gas network, and connecting new customers.

Each year we do the following:

- Attend over 90,000 gas escapes – over 80% of which are internal faults in customers' properties and not on our gas network. For those not on our network, we make the property safe. If we have to disconnect a supply for safety reasons, we provide alternative cooking and heating facilities for those customers most in need.
- Replace around 430 kilometres of old metallic mains as part of our programme started in 2002 to replace all metallic pipes located within 30 metres of a building. We are replacing metallic pipes with long-life plastic equivalents that will last in excess of 80 years. We also renew 40,000 services a year – the smaller pipes that transport gas into individual properties.
- Invest over £120 million to maintain the safety and reliability of the gas network – replacing, refurbishing and maintaining a network that covers almost 20% of the UK.
- Connect over 11,000 new customers to mains gas, around 50% of all gas connections within our operating region. In 2013/2014, 2,632 have received assisted funding through our fuel poor (Warm Home Assistance) scheme, to play our part in reducing the impact of the rising cost of energy.
- Provide meter exchange, isolation and repair services across our region on behalf of suppliers and meter owners. This work is fully competitive and helps to subsidise the cost of the emergency service we provide for customers.

WHAT WE DO





“ We see the difficult political, regulatory and economic landscape as an opportunity to build on our impressive record and reputation to date, by continuing to deliver value in the coming years

Welcome

We are one of the largest companies in our region, with revenues of over £400 million each year and an asset replacement value of over £9 billion. We invest over £2 million every week to maintain the condition and performance of our network.

Last year was the first year of the new 8-year regulatory control period – a period that started in April 2013 and will run to March 2021. The business plan that we submitted to our regulator Ofgem was developed with extensive input from our stakeholders – a wide variety of organisations and individuals.

This process helps shape our business strategy and played a huge part in our final business plan – the plan used by Ofgem to set the revenues we are allowed to collect under the 8-year period. As a highly regulated business, our costs are paid for through bills that gas customers pay. Currently gas distribution charges make up 18% of a household gas bill, which equals about £144 of the average customer bill each year. At around 39 pence per household each day, we believe this delivers excellent value for money for safely transporting gas to homes and businesses.

Delivering the outputs that stakeholders say they value, while at the same time keeping the cost of delivering those outputs to a minimum, presents an ongoing challenge to our business. We have reduced costs significantly since we were formed in 2005, and our new regulatory deal has placed further challenges on us. To deal with these challenges, we continue to look for innovative and cost-efficient ways to deliver these outputs without compromising customer service or the safety of our network.

In introducing this report to you, I am pleased that over the past year we have delivered all our first year outputs in each of the 6 regulatory focus areas of safety, reliability, environment, customer satisfaction, social obligations and connections. We also made further improvements that should deliver real benefit to customers in 2015. Under the new regulatory incentive sharing method, we will share 37% of any outperformance we achieve with the gas suppliers, in the second year after we achieve these gains. Gas customers will then benefit as long as gas suppliers pass these gains on to them. Based on last year's performance our distribution charges will reduce by around 5% in 2015, a real reduction of around £7 against our current charges.

However, despite this early success in the new price control period, we are not complacent. With interest in our industry at an all-time high, the challenge is to prove we are continually doing the best we can for customers. However, these challenging times also bring opportunities. We see the difficult political, regulatory and economic landscape as an opportunity to build on our impressive record and reputation to date, by continuing to deliver value in the coming years.

We commit to continuing to work with you, our stakeholders, to help shape the future of our business and the services we provide. We hope you find this document a useful insight into what we do and how we deliver our services – to the millions of people who trust us every day to provide a safe and reliable gas transportation service to their homes and businesses.



Graham Edwards, Chief Executive

Our headlines for 2013-2014

Efficiency and value for money

- We are an efficient business, and last year outperformed our regulatory cost allowance by 13%. This means our part of the customer gas bill, which currently stands at around £144 a year, will reduce by around £7 per household.
- For customers to benefit from the savings made by our achievements, suppliers must pass on the reductions in charges they receive.
- We continue to transport gas safely and efficiently to all domestic and commercial customers and we invested £120 million in new network infrastructure – an average of over £2 million every week.
- We provide significant employment and support to the local economies of Wales and the south west of England by spending around £180 million within these regions. Our supply chain includes large multi-nationals, small and medium enterprises (companies with up to 500 employees) and local sole traders in a number of different industries and areas of expertise.

Innovation

- We aim to foster a culture of innovation and we were pleased to receive a prestigious industry award this year for a major innovation. We developed the first 500-metre pipe coil trailer in partnership with Steve Vick International, which reduces plastic pipe wastage by 13% and saves us over 1,000 tonnes of carbon emissions (tCO₂e) a year. This is one of a number of innovation projects under way across the business – focusing on a mixture of cost, service, quality and environmental improvements.
- As well as using innovation to tackle immediate and short-term issues, we are also looking to tackle issues around the possible future role of hydrogen and other gasses as alternate sources of energy. We are keen to work with others who can help us with these exciting developments. Contact us at innovation@wwutilities.co.uk to discuss in more detail.

Safety

- We manage and maintain a safe and reliable gas network. Fewer than 4% of properties connected to our network experienced a gas problem in the year. That said, this was equal to over 90,000 gas escapes. We once again met all our emergency response standards of arriving within 1 hour or 2 hours, depending on the type of gas escape, over 97% of the time.
-



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of metallic gas mains (374
kilometres of this was iron)
with modern, low
maintenance plastic pipe

- Over 72,000 gas escapes were faults with customer premises rather than on our gas network. In these instances, we make the property safe. If we have to disconnect a supply for safety reasons, we offer alternative cooking and heating facilities for those customers most in need.
- We have now replaced 38% of the iron network as part of an industry-wide 30-year replacement programme agreed with the Health & Safety Executive (HSE) and Ofgem back in 2002. We invested £72 million replacing another 430 kilometres of metallic gas mains (374 kilometres of this was iron) with modern, low maintenance plastic pipe. This further reduces the risk to the public from mains, which are old and in poor condition, and we will continue investing at this rate for the full regulatory period (to 2021). Despite the work done to reduce the risk from iron mains, we still get incidents. There was 1 explosion on our network last year. A 6-inch iron main fractured in Milford Haven, causing injury to the person living there and badly damaging their home. Incidents such as this reinforce our drive to replace all iron pipes which are within 30 metres of a property.
- We became the first gas distribution company in the world to gain certification to the new ISO 55001 framework. This framework assesses policies, procedures, knowledge and actions that deliver world-class management of assets.

Customer service and delivery

- We are proud of our record as a leading performer in customer satisfaction across our sector for the past 5 years in succession. Our commitment to excellent customer service is at the heart of everything we do and is part of our business culture.
- We are a top performer not only against utilities but also against a number of well known providers for world-class customer service. In 2014, we were awarded the ServiceMark by the Institute of Customer Service – a national standard which recognises our commitment to, and achievement in, customer service.
- We connected another 11,498 properties to the gas network during the year, with 5,381 of these converting from either oil or liquefied petroleum gas (LPG). These customers will see a significant saving of over £700 a year on their heating and cooking bills. Gas connections are a fully competitive activity – in other words, people can pay us or choose other companies to connect to the gas network – and we complete around 50% of all gas connections across our operating region ourselves.
- As well as achieving all our regulatory service standards for the year, we responded to 1,206 (48%) customer complaints within 1 day against an Ofgem target of 10 days. We also received no ombudsman judgements against us for the year.



We have connected
8,908 households
 since our Warm Home
 Assistance scheme was
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 support to communities
 in need of help

Maintaining a sustainable gas network

- There is a small amount of gas that leaks from pipes as it flows through our network. This is known as gas leakage. We further reduced gas leakage from our network by another 5% in the year. Total leakage from our network now stands at a very low level of 0.7% of total gas that flows through our network.
- We also reduced our own company energy usage by a further 4% in the year – that is energy used by our own vehicles, property, tools and equipment. We reduced emissions from our direct use of electricity by 22% during the year and have now reduced our total reportable carbon footprint by a further 10% since 2012.
- During the past year, we were the first gas network to have an independent biomethane source injected into our network on a commercial basis. We are fully supporting the development of renewable gas sources as part of the UK's drive to reduce carbon emissions. We are currently working with a number of organisations in completing further similar developments.

Community action and support

- Along with our partners, we helped 2,632 households across our region with funding towards a gas connection as part of our Warm Home Assistance scheme. The value of the support last year was £2,802 per household, which covered more than the cost of a standard connection. We have connected 8,908 households since our Warm Home Assistance scheme was introduced in 2009, providing invaluable support to communities in need of help. For more information on our Warm Home Assistance scheme, contact us at enquiries@wwutilities.co.uk
- As part of our ongoing effort to raise awareness of the dangers of carbon monoxide (CO) we distributed over 10,000 CO alarms last year, targeting those at most risk. As part of our awareness drive on CO (using our CO incident hot spot data) we continued to take the message to many schools and public gatherings throughout the year.
- We established Critical Friend Panels across Wales and the south west of England. These involve people from a wide range of organisations – aimed at making sure we fully involve the communities we serve in our business. You can find details of the panel members on our website – www.wwutilities.co.uk. Following feedback from the panel, we have also set up a 'Vulnerable Customer Forum' with key community members to help us further develop and prioritise our services for our most vulnerable customers and communities. If you would like to become a member of our panel, contact us at workingwithyou@wwutilities.co.uk

Contributing to a long-term sustainable future

The role of gas in the future of energy

We play a central role in making sure the energy you need is affordable, safe, secure and sustainable. The UK's energy demands now and into the future need a balanced energy mix at an affordable cost – with energy coming from an increasingly wide range of sources. An important requirement in all this is for us all to become more energy efficient.

We continually communicate with policymakers such as the UK Department of Energy and Climate Change (DECC), to make sure it has balanced information and a clear understanding of how gas can play a role now and into the future. DECC recognises the ongoing importance of gas in a balanced energy mix, and has set up a national forum for long-term strategic decision making. We also play a part in the Welsh Government's Sector Panel for Energy, which provides input into future energy policy for Wales.

Investing in 'green gas'

We understand the need to do all we can to make gas a sustainable energy source. We are industry leaders in bringing renewable biomethane gas into the gas network. This is a naturally occurring gas that is produced by "fresh" organic matter such as plant material, manure, sewage and organic waste. This "green" or renewable source of energy can be used in the same way as natural gas and offers great potential as an extra source of energy that will help reduce our reliance on imported natural gas. See page 23 for more information on this project.

There is no financial benefit to us from these connections. Our charges are designed to recover costs we have to pay and do not include a profit. This again shows our ongoing commitment to supporting this renewable energy source.

Helping reduce energy usage and costs

We have an important role to play in helping people reduce their energy usage and costs. One way we are doing this is, where practical, to connect customers to the gas network who are still using electricity, oil or coal to heat their homes. Connection to the gas network will save them money and improve their energy security (by removing reliance on oil and coal deliveries) and, if converting from LPG or oil, will reduce their effect on the environment. We are working with local authorities and government to provide connections for these customers. For example, in the past year we have helped provide over 500 connections in North Wales for customers switching from oil and LPG, saving them over £700 a year on energy costs. We hold a number of events with partners to support customers not connected to the grid due to the gas connection being uneconomic.

We refer them to independent organisations such as Warm Wales, NEST (the Welsh Government scheme) and the Energy Saving Trust. While we do not record the outcome of these referrals, we know of a number of cases where external wall insulations, ground-source heat pumps and other measures customers have had installed as a result of our referral.

We have also given presentations at external forums such as those hosted by the Salvation Army. We have given advice to their officers on how customers can make the most of their income by making sure they are claiming relevant benefits, using fuel switch sites to make sure people are on the best tariff, and offering general advice about insulating their homes. These simple steps are relatively cheap to do but can have a big effect on customers' bills. If you would like a copy of our informative presentation, please contact workingwithyou@wwutilities.co.uk

Investing in our people and organisation

As a major business across our operating region, we employ over 1,300 people. We know our success relies on having people who are competent and confident in doing their job and providing the best possible service to our customers. The industry has an ageing workforce in the years since gas privatisation in 1986 as employees have left or retired and not always been replaced – with the result that the average age of colleagues in companies like ours has steadily increased.

It is critical that we develop our skills continually to provide the services we deliver successfully. Since our business was set up in 2005, we have been looking at both the skills and age profile in our business. We recognise we need a balance between holding on to knowledge and experience while investing in our future. Over this time, we have employed nearly 100 apprentices to make sure we are taking a longer-term perspective in making sure we have the appropriate skills for the future. This and other recruitment has resulted in the average age of our employees reducing from 47 to 42.

Unrivalled training services

Nurturing and maintaining our industry-leading safety record requires top quality training in a safe and controlled environment. This was the major driving force behind our investment in training facilities at Treforest, South Wales, and Bridgwater in Somerset. The facility in Treforest includes a fully fitted and functioning indoor street that provides an outstanding training environment, both for gas engineers and other organisations who have recognised the multi-functional capability of the centre.

We can provide a standard suite of training programmes or a tailored approach designed to suit organisations' specific needs. South Wales' Police dog handlers for example, have used our facilities to support their training and our local community.

If you are interested in using our training facilities, please contact trainingacademyenquiries@wwutilities.co.uk or call 02920 278711.

Our role in the community

We have been actively involved in communities across our region since we were formed in 2005. We have many examples of active involvement in local initiatives throughout Wales and the south west of England. These have ranged from employee volunteering activities to investing in local community projects. Our colleague Matched Funding scheme promotes and inspires a culture of fund-raising and volunteering activities among our people.

Since the scheme launched in 2007 we have matched funds for over 300 requests to recognise outstanding charitable and community support efforts. Each colleague can qualify for up to £300 per year towards any money they raise or in recognition of giving their own personal time to support local initiatives and charities in their area. This amounts to over £84,000 during this period in Matched Funding contributions – something we are very proud of. A recent example was at Llansannor Primary School, a team of WWU volunteers improved a playing area, created an outdoor allotment and a quiet sitting area for the children including a sensory pit and bug hotel.

The bug hotel before and after



Through our sponsorship programme, we also support a wide range of organisations in our operating region – those who offer important services for the communities we serve. Examples include DangerPoint in North Wales and Lifeskills in Bristol. They both offer interactive safety education facilities in a safe environment to teach people how to deal with potentially difficult or dangerous situations, including gas and CO safety. Both centres offer services to those most at risk groups in our society including children, adults with learning difficulties, children with special educational needs, parents with young children and older people.

Raising the profile of STEM subjects and supporting women in engineering

We carried out a variety of activities to promote science, technology, engineering and mathematics (STEM) subjects in association with the education sector. These range from being involved in high-profile events such as Big Bang South West and Big Bang Cymru and showcasing career opportunities, to working with science centre Technquest in an interactive science display aimed at school children.

We have also regularly supported careers days at schools across our region. For example, we worked with Rhonda Cynon Taff Careers Service on National Women in Engineering Day. A group of female students from Ysgol Gyfun Garth Olwg spent the day with us at our training academy in Treforest, hearing first-hand experiences from our female engineers, and taking part in gas fire safety training.



“ It was a fascinating day. I would definitely consider a career in engineering now.

Lauren Holmes

Delivering outputs in a new price control period

✓ Ofgem said we were the leading performing company in their close-out report of the last 5-year price control period which ended on 31 March, 2013, in terms of customer service and network reliability.

A new model of energy network regulation was introduced from 1 April, 2014. Our revenues now depend on the measurable outputs we deliver between now and 2021. These outputs were developed after wide-ranging consultation with over 500,000 people. Our consultation included phone surveys, online questionnaires, an extensive media campaign and a series of workshops across our region involving a cross section of people representing customers, customer organisations, vulnerable groups, local authorities and governmental organisations.

The feedback we gathered helped to develop our business plan. An independent organisation evaluated what we did and compiled the results. This detailed report, which informed our business planning, is available on our website www.wwutilities.co.uk.

As well as the focus on outputs, the new regulatory model provides innovation funding for other organisations to work with us and a range of incentives attached to delivering our plan efficiently.

This model drives real benefits for customers and provides strong incentives to meet the challenges of delivering a low carbon, sustainable energy sector which is value for money for existing and future consumers. After we sent our business plan to Ofgem in 2012, they awarded us a total of £2.7 billion revenue to deliver our plan over the 8-year period 2013 to 2021.

In this first year April 2013 to March 2014, we delivered all our year 1 outputs for £228 million against a regulatory allowance of £262 million. This saving of 13% will result in lower network charges in 2015.

The following pages provide an overview of our first year's performance in each of the 6 main output areas – safety, reliability, environment, customer satisfaction, social obligations and connections. We have included costs within this document where appropriate. However, so you can see all the costs we have had to pay and those we have forecasted, we have published a full analysis on our website www.wwutilities.co.uk

Safety – keeping you safe

Our stakeholders told us...

- Our mains replacement programme, targeted at removing old metallic mains and reducing the risk of gas explosions, was a priority – it should either stay at its current pace or even be completed more quickly.
- Our performance in attending emergency calls from the public was considered good – the current target of attending 97% of calls within the allotted time was viewed as appropriate going forward.

We delivered...

Measure	Full 8-year target	2013/2014 target	2013/2014 actual
Attend uncontrolled gas escapes within 1 hour	97%	97%	98.3% ✓
Attend controlled gas escapes within 2 hours	97%	97%	99.5% ✓
Kilometres of iron pipe risk removed	2,876	360	374 ✓

Significant mains replacement

- ✓ We removed 374 kilometres of iron mains against a target of 360 kilometres.
- ✓ We renewed 40,000 customers' services, replacing metallic pipe with plastic equivalent which will last for over 80 years.

We designed our mains replacement programme to give the greatest benefit (in other words, highest risk reduction and lowest cost) to customers as early as possible, while still meeting the 8-year output targets. To achieve this, we created larger replacement projects to deliver improved efficiency and reduce unproductive time when we are getting teams to set up and move from project to project. This, together with focused cost control, helps to make sure that the £72 million spent on replacement in 2013/2014 delivered more value for money.

However, this approach results in us generally being in locations for longer. We realise that nobody likes roadworks in their area, and we will do our best to make sure that we cause as little disruption as possible. Whenever we can, we will adopt a technique to replace the gas main that allows us to replace the pipes in the street without interrupting customer supplies. The only interruption takes place when we move the connection from the old main to the new main.

We continue to share our forward planning with councils and highway authorities, using their expertise to help schedule the work. We have shared our 5-year plan to help with these discussions as well as carrying out wide-ranging community action to keep disruption to a minimum while we complete this essential work.

For work with significant impact on communities we make sure we communicate extensively with local residents, businesses and community services such as schools, universities, hospitals and others. This includes posting tailored letters and newsletters to affected customers and communities, hosting open days to provide more detailed information and informing local media outlets such as local newspapers, community websites and local radio stations to make sure everyone is aware of our plans. This work can include planned roadworks, diversions, road closures and the timescales it will take to complete our work.

Reliable emergency service

Our emergency operatives are on call 24 hours a day, 7 days a week, 365 days a year. If you smell gas, call the national gas emergency number on 0800 111 999.

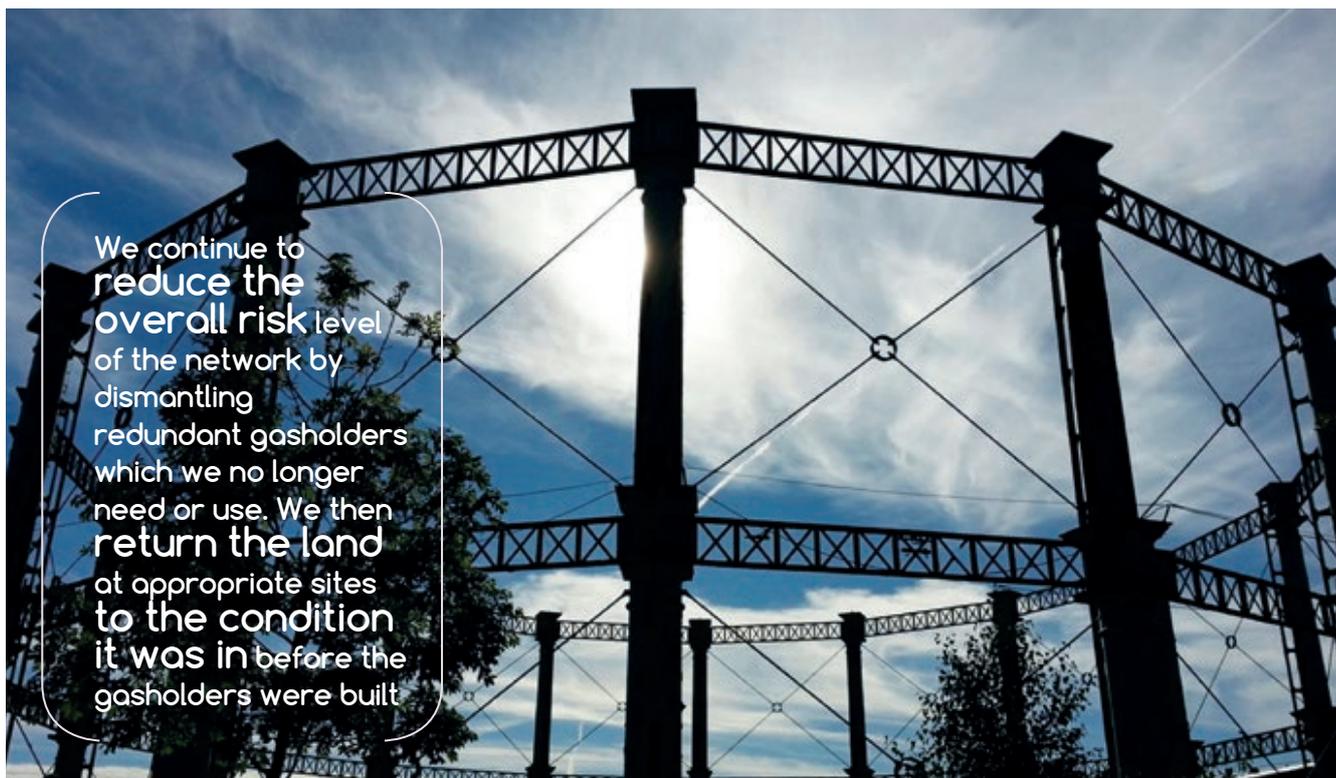
We continue to respond quickly when gas escapes are reported – over 97% of the time we will arrive in just 1 hour if the escape is uncontrolled (in other words, the customer cannot turn their gas off) and within 2 hours if customers can make the situation safe by closing the emergency valve on their gas meter.

Less than 4%, which is about the same as 100,000, of properties connected to our network experienced a gas problem in the year. That said, we attended over 90,000 public reported escapes. This was a 7% reduction on the previous year's figures. Some 72,000 (80%) of the escapes we attended were faults on customer pipework and not related to our network.

✓ We achieved 98.3% for 1-hour response and 99.5% for 2-hour response against regulatory targets of 97%.

Gas storage

We continue to reduce the overall risk level of the network by dismantling redundant gasholders which we no longer need or use. We then return the land at appropriate sites to the condition it was in before the gasholders were built. Advances in technology, better planning and more capacity and flexibility within the network mean that these holders are no longer needed. Dismantling them improves safety by removing the temptation for people to climb them and removes the ongoing maintenance costs of keeping them in a safe condition. The Health and Safety Executive has an active interest in both of these programmes, as do the Environment Agency and local authorities, where we have needed both planning and environmental agreements or permits.



Following a review of storage requirements, we have taken all of our low-pressure gasholders permanently out of service. Our programme is being carried out to reduce the risk these redundant structures pose to the public. During 2013/2014, we dismantled 2 holders, Stapleton Road, Bristol and Grangetown, Cardiff. The frame at our Grangetown site, pictured above, is a listed structure, and so we are consulting the council and residents as to options for its future use.

What next?

1 We will further reduce the risk posed by deteriorating metallic mains by continuing the programme of replacement. In 2014/2015 we will:

- remove another 360 kilometres of iron mains; and
- renew over 40,000 customers' services, replacing metallic pipe with long life plastic equivalent.

2 We will maintain our high performance of attending gas escapes reported by the public at above 97%, a target strongly approved by stakeholders.

3 We will dismantle a further 8 holders in 2014/2015. These are located in Bath, Weston-super-Mare, Exeter and Cheltenham. By the end of 2021, 60% of gasholders will have been dismantled. We plan to dismantle the other 5 holders between 2022 and 2030. The programme is split over this 16-year period to spread the cost.

Reliability – we make sure you can rely on your gas supply

Our stakeholders told us...

Our current low level of gas supply interruptions was considered excellent.

We delivered...

Measure	Full 8-year target	2013/2014 target	2013/2014 actual
Number of interruptions	451,235	56,404	53,085 ✓
Total length of interruption (million minutes)	92.05	11.51	13.08 ✗

We make sure gas is available when needed – reducing, as far as possible, the amount of time gas is not available and making sure that, if we need to interrupt supply, it is for the shortest time possible. Customers will experience a gas supply interruption on average once every 40 years as opposed to once in every 4 years for an electricity interruption. Whatever the cause of the disruption, we keep customers informed throughout and we identify any vulnerable people and help them through the interruption. In many cases, we offer alternative cooking and heating facilities.

We did not meet our target for overall interruption time in the year, mainly due to a single incident in Dawlish where severe storms caused the seafront to collapse, leaving the coastal railway line suspended and washing away the ground around our pipes. For safety reasons, we isolated supplies to local properties while the repair to the seafront and railway line took place. This took a number of months and this 1 incident accounts for over 1 million minutes of interruption, nearly 8% of our yearly total.

Our mains replacement programme is the main cause of planned customer interruptions. Our average interruption timescale of 4 hours is significantly less than the industry average. We let customers know about a planned interruption at least 5 working days before starting the work and make every effort to be flexible around customer availability. Live insertion techniques allow us to replace a customer's service pipe with only 1 interruption to a property (instead of 2, which are needed with dead insertion – where we turn off the gas before we replace the pipe). The effect is a slightly longer single interruption but significantly shorter than the 2 separate interruptions needed for dead insertion.

Much as we try to avoid unplanned interruptions, they are sometimes inevitable so that we can complete our work safely.

- ✓ We have interrupted customers on unplanned work 9,478 times against a target of 11,271 in 2013/2014.

To improve service and reliability and to make sure our colleagues and the public stay safe, we generally invest in our assets before there is a problem with them. Sophisticated tools help us to assess the possible risk of failure, not only of our equipment but also of each individual part. This insight allows us to react accordingly, delivering the cheapest whole-life cost approach to keeping people safe.

Damage caused by other people

We invest millions each year to make sure our pipelines are protected from corrosion, ground movement and other interference. Although these cause problems, the biggest risk comes from other individuals and organisations. You can help to prevent damage to our pipelines by telling us before you begin any work. Or you can contact us to register your details, so that you can view our maps online. We currently have over 40,000 approved users.

Please help us continue to serve communities by protecting our equipment. Call us on 02920 278 912 and we can advise you on the exact location of the pipeline and the safest way to complete the work.

What next?

- 1** We will continue to maintain and invest in our assets to make sure they stay in a good condition and to make sure there is a reliable and safe gas supply to homes and businesses.
- 2** We will maintain the current low level of interruption, and make sure that we can deal with the peaks of winter gas demand that we have to provide for. To achieve this, we will continue to invest £120 million a year for the remaining 7 years of the price control period.

Environment – protecting our environment for future generations

Our stakeholders told us...

Our focus on reducing gas leakage from our pipes was considered a top priority, given that this accounts for around 96% of our total carbon emissions.

There was support for introducing renewable gas into gas networks from landfill sites or waste digestion (connection of biomethane).

We delivered...

Measure	Full 8-year target	2013/2014 target	2013/2014 actual	
Reduce emissions from own energy use	16%	2%	4%	✓
Facilitate biomethane connections	10	1	Completed one during first year – capacity 5,400 kW	✓
Total volume of gas from leakage from our network (GWh)	361	415	402	✓
Number of gasholders to be demolished	7	1	2	✓



Reduced emissions

Delivering a low carbon, sustainable gas network is an important commitment for us. Our environmental strategy aims to reduce our carbon dioxide emissions by a further 14% by 2021. We continue to look for alternatives to our work that are less carbon intensive. Some examples of this are shown below:

- We developed the UK's first pipe coil trailer which can dispense larger lengths of pipe. This saves us over 1,000 tonnes of carbon emissions (tCO₂e) a year by reducing wastage from smaller lengths of pipe.
- Since 2008, we have continued to replace our 800-strong commercial vehicles with more efficient alternatives, resulting in a reduction of 400 tCO₂e a year.
- We invested in vacuum excavation trucks to allow for efficient digging around buried pipes by literally sucking material out of the ground. This has contributed to a reduction in waste to landfill and the associated use of quarried materials (virgin aggregates) equivalent to 600 tCO₂e a year.

- ✓ This year we achieved a 4% reduction in our own energy use – double our target for the year.

Our main impact on the environment is gas lost to the atmosphere during transportation or incidents on the network. The mains replacement programme contributes significantly to reducing these emissions.

- ✓ We beat the year 1 target for reducing gas leaks, with total emissions from gas leakage of 402 GWh against a target of 415 GWh.

We continue to focus on system pressures but a severe winter will have a direct effect on pressures, so doing better than targets in year 1 does not necessarily mean that we will continue to do so in future years. However, we are optimistic that we will achieve our planned 16% reduction over the 8 years of the price control period by carefully choosing which mains to replace.

Tackling the risk of contaminated land

We manage about 165 former gas production and historically contaminated sites.



Representatives from other UK gas distribution companies visited our land remediation project at Pembroke Dock

-  We investigated 25 historically contaminated sites and carried out work to deal with a further 6 sites during 2013/2014.

We further reduced our risk profile in 2013/2014, carrying out statutory work at 6 sites – including a former gasworks location in Ammanford. Throughout the project, we worked closely with the local authority, Natural Resources Wales and nearby residents and businesses. Following their feedback, we have gone beyond our legal obligations to respond to community need and combined our work to protect riverbanks with a range of features to improve habitats. We installed nest and roost boxes as well as an artificial otter holt and kingfisher tunnel.



Our achievements were recognised at the national Brown Field Awards where we won the award in the category for the sustainable reuse of 100% of materials.

“WWU has taken a fresh angle on dealing with historic pollution and gone far beyond the normal requirements for environmental improvement.”

Dr Russell Thomas, Contaminated Land Specialist

“It was very interesting to see Wales & West Utilities taking a proactive and forward-thinking approach.”

Dr Morwenna Carrington, Defra



Oliver Lancaster, Principal Environmental Engineer, won Young Person of the Year for introducing a climate change driven approach to land remediation (restoring land to its previous condition). He delivered the world's first climate change driven remediation project at a former gasworks site in Wem, Shropshire.

Recycled green waste for community and environmental gain

When clearing vegetation so we can carry out essential work, we often need to remove a number of large trees to provide site access. This process regularly generates large volumes of what could otherwise have been seen as green waste. As a sustainable and practical alternative, we work to recycle the material within the local community.

-  We provided several tonnes of woodchip to local community projects including volunteer groups, allotments and community farms.

Injected biomethane into the gas network

We are working with a number of producers to promote biomethane connections, as well as working hard to improve the environment further by making it easier to connect.



Picture: courtesy of the Horticultural Development Society (HDC)

Last year, we successfully connected 5,400 kilowatts of biomethane gas at Springhill Farm, Pershore, in the Cotswolds.

The project is particularly exciting as it potentially opens up a new area of feedstock. The farm uses green farm waste to produce the biomethane, and the waste carbon dioxide produced is then used to improve the tomatoes in vast greenhouses. This is a double carbon win as the plants convert the carbon dioxide to oxygen through photosynthesis.

What next?

- 1** We plan to reduce our carbon footprint (the amount of carbon we produce) by another 2% next year towards an overall reduction of 16% by 2021.
- 2** Further improvements will include a reduction in the amount of waste we send to landfill and reducing the volume of fresh materials used to fill holes where we have been digging.
- 3** We will help to connect a further 500 kilowatts of biomethane into the grid, with 4 new connections planned for 2014/2015.



We have reduced the time it takes to provide a gas connection quotation or alteration service quotation for our customers from 3 days to just 15 minutes

Providing quality services is a priority for us. We were widely recognised as the leading industry performer over the last 5-year price control period. Building on this further we were delighted to be recognised for our leading customer service by the Institute of Customer Service in 2014, achieving their ServiceMark standard. Through independent benchmarking we achieved scores that were seen as among the leading performers both inside and outside the utility sector, and were awarded the mark until 2016.

To deliver further improvement, we reviewed our strategy to make sure that our people, processes, strategy and culture are all working together to bring the most success. Some of the initiatives contributing to our performance are shown below:

- Most of our office colleagues have now achieved level 2 and level 3 NVQs in customer service.
- Over 600 of our operational representatives have completed our innovative award-winning arts-based customer-service training – working with partners to bring issues to life in a creative and interesting way. The programme was recognised for its effectiveness, winning an Arts & Business Award earlier this year.
- We have introduced a customer service application (App) for our smartphones so that we can gather and react to feedback straightaway.
- We also introduced an online quotation system to speed up the time taken to provide a quote for new connections work and to book an appointment – this is the first of its kind in our sector. We have reduced the time it takes to provide a gas connection quotation or alteration service quotation for our customers from 3 days to just 15 minutes.



- ✔ **Claire Edwards, Customer Service Manager, won Manager of the Year for developing and delivering a strategy to achieve world class service as defined by the Institute of Customer Service.**

- ✔ **Gemma Jones, one of our Complaints Assistants, won Best Customer Service Representative at the Welsh Contact Centre Awards in February 2014.**

Responding to complaints

If we fail to meet our customer's expectations and receive a complaint, we use this as an opportunity to improve our customer service and so improve our performance. In 2013/2014, we received 2,519 complaints. This is less than 2% of the number of jobs completed in the year.

Measure	2013/2014 target	2013/2014 actual	
Sort out a complaint within 1 working day	More than 40%	48%	✔
Respond to complaints within 10 working days	More than 99%	99.8%	✔
Percentage of complaints outstanding over 31 working days	Less than 9%	6.75%	✔
Percentage of repeat complaints (a repeat complaint is classed as the same customer complaining about the same or a related issue)	Less than 0.3%	0.28%	✔

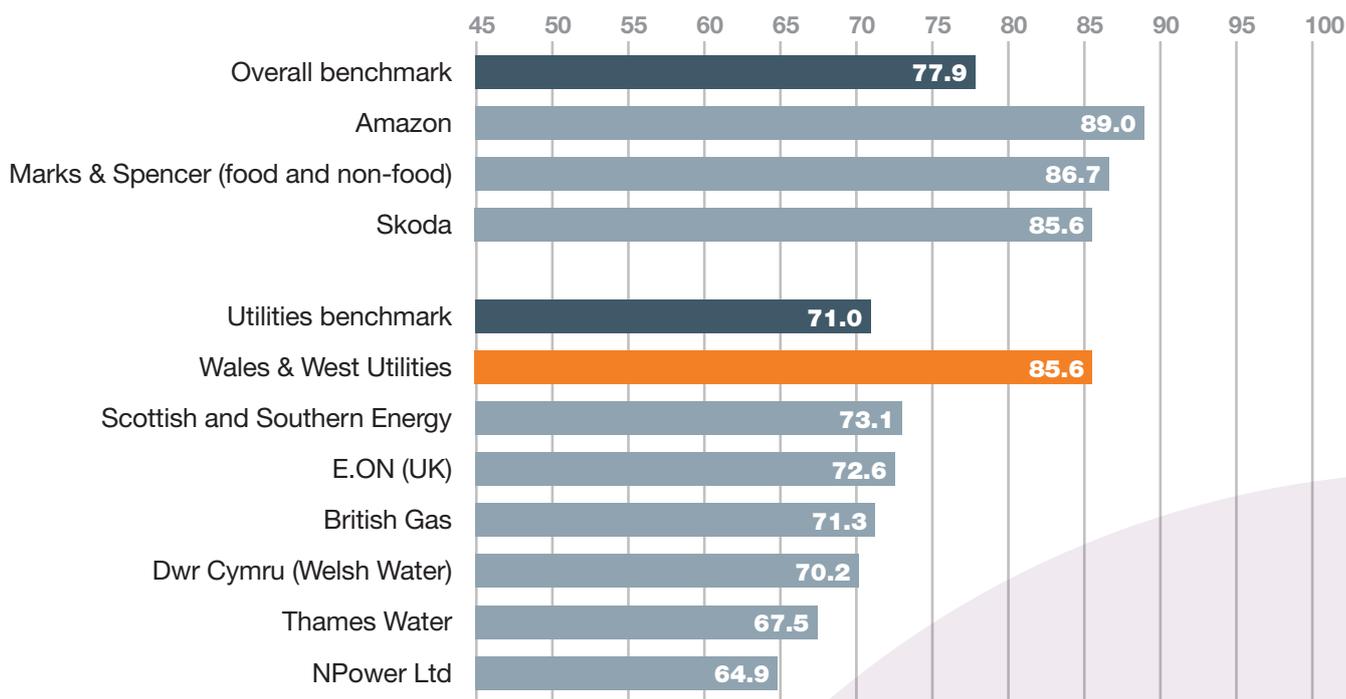
- ✔ **We resolved 1,206 of all customer complaints within 1 working day, against a regulatory target of 10 working days.**

- ✔ **For the third year in a row, we had no Ombudsman findings against us.**

Recognition from the Institute of Customer Service

Our aim is not only to be a leading company for customer satisfaction within our industry, but also to compare well with leading companies across all sectors across the UK. Membership of the Institute of Customer Service allowed us to measure customer satisfaction against a national scale. As the chart below shows, we perform well not only against the utility benchmark but also against the overall benchmark which includes a number of well-known providers for world-class customer service.

UK Customer Satisfaction Index



ServiceMark is a national standard which recognises our commitment to and achievement in customer service.



What next?

- 1 We plan to maintain our excellent customer satisfaction levels compared to our peers. We have consistently been the leading performer in customer service over the last 5-year period. We aim to maintain this excellent performance in 2014/2015 and beyond.
- 2 We are now developing all of our customer facing communications working with the Plain English Campaign to gain the Crystal Mark. This is to make sure that all our communications are clear, concise and jargon free so that information is easy to understand and accessible for all our stakeholders.

Social obligations – working to tackle the important issues of rising energy costs and carbon monoxide awareness

Our stakeholders told us...

Connecting households suffering as a result of high energy costs to mains gas was widely praised and encouraged.

Raising awareness of carbon monoxide poisoning was considered a valuable social service – recognising the need for wider industry involvement and not just gas networks.

We delivered...

Measure	Full 8-year target	2013/2014 target	2013/2014 actual
Number of fuel poor gas connections	10,800	1,350	2,632 ✓
Raise awareness of carbon monoxide poisoning	20% for each action	20%	44.48% ✓
Distribute carbon monoxide alarms to vulnerable customers	40,000	5,000	10,212 ✓

Working to make energy more affordable

Tackling affordability and vulnerability are 2 important issues that are central priorities across our business. In supporting the government targets to make energy more affordable, we have adopted an approach that extends beyond just those properties that are close to the existing gas network. Our Warm Home Assistance scheme is based on a voucher system where customers who qualify get financial help to convert to gas to heat their homes. The voucher had a maximum value to customers of £2,802 for 2013/2014.

We are committed to supporting as many households as possible to tackle the rising cost of energy. This year, we have provided funding for and completed 2,632 Warm Home Assistance scheme connections against a target of 1,350.

30% of the total number of connections made to existing properties were funded by this scheme.

The 2,632 connections equal an estimated energy saving of over £1.3 million a year – and 280,000 tonnes of lifetime carbon savings.

In Wales, we worked with the administrators of the Welsh Government strategic energy performance investment programme Arbed scheme to deliver a number of projects. In England, the lack of a government-led scheme has resulted in a different approach. Working with key industry partners, we started a fuel switch programme in Cornwall that will target 600 connections in 2014 and at least 1,000 in each of the next 4 years, with our scheme funding the gas services and government grant funding the heating systems.

FLINTSHIRE CASE STUDY: new gas main hope to cut bills by hundreds of pounds

Figures in a council report show around 20,000 households in Flintshire are struggling to meet their energy bills. We have made it a priority to tackle this issue working with Flintshire County Council to see if it is financially realistic to install gas pipelines to Aston and Mostyn.

Claire Budden, the council's Head of Housing, says: "Current statistics suggest that 1 in 3 Flintshire households are in fuel poverty. Tackling this is a priority, as it contributes to improved health, reducing social exclusion and supporting the economy both in terms of jobs and providing households with more disposable income."

In Aston, 111 homes will benefit and in Mostyn 806 homes will benefit. Delyn Welsh Assembly Member Sandy Mewies highlighted the project in the Senedd, saying: "Based on today's prices, the project will secure a saving of about £774 per household per year."

Saying 'no' to CO

Any fuel that burns can cause carbon monoxide (CO). It is difficult to detect because it has no smell, taste or colour. Breathing in CO can be fatal as it blocks the ability of the blood to absorb oxygen. Around 40 people in the UK die each year because of exposure to CO and a further 4,000 people need hospital treatment or visits to the doctor.

With around 250,000 gas appliances condemned (no longer fit for use) annually, and assuming that as few as 10% of these are releasing significant amounts of carbon monoxide, as many as 25,000 people every year may be exposed to the effects of carbon monoxide. Estimates published by the All-Party Parliamentary Gas Safety Group suggest that as few as 12% of these homes are fitted with a CO alarm. As a result, the number of people at risk is believed to be far greater than official figures suggest.

Central to our business priorities is to provide a safe and secure gas supply. Although we have no regulatory or statutory obligation to raise awareness of CO poisoning, following consultation with our stakeholders, the campaign forms a central part of our social obligations.

We have developed a strategy, recognising that CO is not only a gas issue. The strategy delivers a wide range of initiatives both to our colleagues and, more widely, to the 7.5 million people who live and work within our network. So far, over 1 million people have benefited from our campaign, with vulnerable groups being specifically targeted. By using information which our engineers collect at around 6,000 visits a year relating to suspected CO poisoning, we developed a ‘hotspot’ analysis tool and became the first network to use information from incidents proactively to target our campaigns on those communities most at risk.

Our partnership with the arts to portray this important safety message is recognised as unique in the gas industry and best practice within business.



John Courtney, our emergency engineer, works with Theatr na n'Óg to raise awareness with local schoolchildren

We won Arts Business & Young People Award at the Arts & Business Cymru 2013 Awards for our range of partnerships with Hijinx Theatre, Royal Welsh College of Music & Drama, and Theatr na n'Óg.



A carbon monoxide puppet developed with graduates from the Royal Welsh College of Music & Drama to target secondary school pupils. This puppet is the college's first outreach programme for theatre design, and forms an exciting collaboration for both organisations

In June, we won the Business in the Community Wales Building Stronger Communities Award 2014. The award recognised the innovative ways we involve our community to increase the awareness and dangers associated with carbon monoxide.

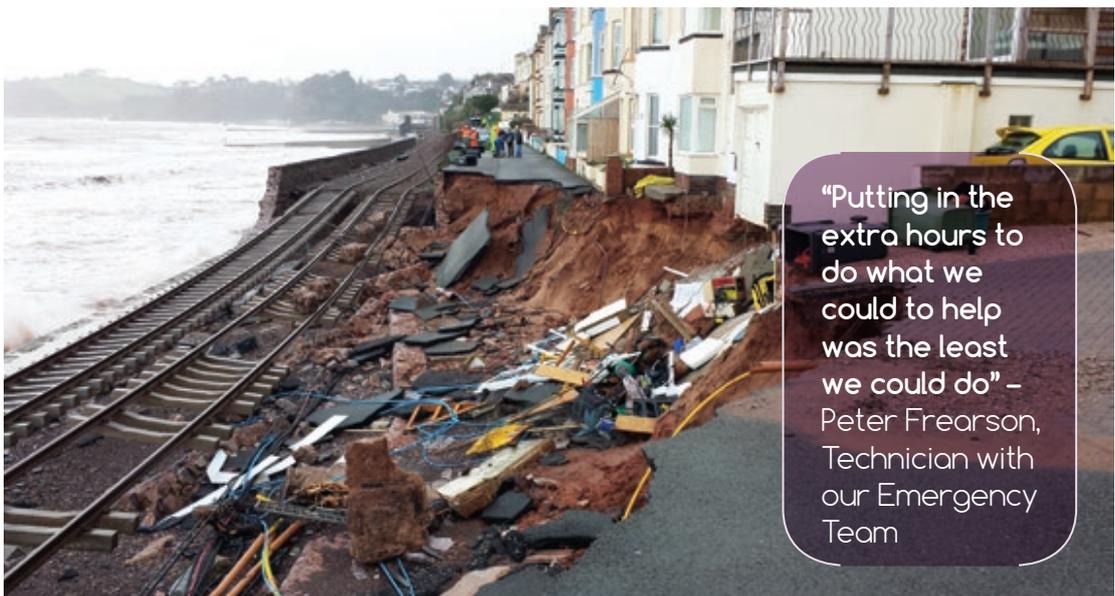


We have distributed over 10,000 CO alarms to customers in the last year and gave many more people important safety advice. We continue to measure the success of this work – and in 2013/2014 our campaigns delivered an increase in awareness of CO in over 90% of cases. Over 87% of people agreed to do something positive after speaking to us, such as discussing the symptoms of CO poisoning with a friend or family member.

Supporting vulnerable communities

When consulting on vulnerability, it was suggested that it was not only people who became vulnerable, whole communities could be affected. This became clear at the height of the severe storms and flooding in the south west of England last winter.

The worst hit area of our network was Riviera Terrace, Dawlish in Devon, where much of the seawall and road supporting our gas main was swept away. We worked closely with the emergency services to isolate damaged mains overnight and to provide alternative cooking and heating arrangements for residents during ever-worsening extreme weather conditions. This incident alone accounted for over 1 million minutes of customer interruption while the railway line and our gas pipes were repaired.



“Putting in the extra hours to do what we could to help was the least we could do” – Peter Frearson, Technician with our Emergency Team

Mark Oliver, Director of Business Services, won the Leadership Award for making sure our social priorities (such as raising awareness of carbon monoxide poisoning, working to tackle the rising cost of energy and providing additional services to vulnerable customers) are now central to our business priorities.



What next?

- 1** We will continue to work with partner organisations to help tackle the issue of the rising cost of energy by supporting programmes to provide households on a low income with a gas connection.
- 2** We will continue to raise awareness of the dangers of CO poisoning, both through our daily activities of visiting customers' homes and by using specific campaigns targeting those most at risk in our communities.

Connections – extending the gas network wherever this is the best possible solution

Our stakeholders told us...

Our service levels for connecting new customers were considered good.

We delivered...

Measure	Full 8-year target 2013/2021	2013/2014 target	2013/2014 performance	
Provide quotations within set timescales (6, 11 or 20 working days depending on the load)	90%	90%	98.1%	✓
Number of people who challenge the accuracy of a quotation – (usually based on cost)	0	0	0	✓
Respond to land enquiries within 5 working days	90%	90%	99.8%	✓
Provide dates for starting the work and having gas available at the property within 20 working days	90%	90%	100%	✓
Complete the work in the timescale agreed with the customer	90%	90%	94.6%	✓

Gas connection is a fully competitive activity, that is customers do not have to use us to connect to the gas network and can use another provider. We generally complete 50% of all gas connections across our operating region ourselves. In 2013/2014, we connected to 11,498 services, an increase of 11% on the previous year. This was due to:

- 2,632 fuel poor connections, the highest since our Warm Home Assistance scheme started in 2009;
- 413 more new housing connections than the estimated allowance of 2,485; and
- 8,600 connections (75%) to existing housing.

We have also completed 78 community fuel poor schemes that needed 11.3 kilometres of mains in 2013/2014, compared to 61 schemes needing 10.2 kilometres in 2012/2013.

Our workload included a number of large network extension schemes. Schemes at Llanelly Hill and Llanerchymedd were funded by our Warm Home Assistance scheme. Three schemes at Trelewis, Hollybush and Brynamman in South Wales were funded by Welsh Government through the Arbed Phase 2 scheme using European money.

Households converting to gas will see a significant saving of around £500 on their annual heating and cooking bills.

The 5,381 of households connected this year that converted from either oil or liquefied petroleum gas will see an even greater saving of £700.

Introducing online quotations

During the past year, we have developed an online quotations system, aimed at speeding up the process for customers. This new system provides services in real time allowing:

- access to maps showing where gas pipes would be routed;
- an idea of costs, or firm costs where no defined risks are identified from the customer or maps; and
- customers to pick a preferred date for the work to be completed before paying online.

The system is the first of its kind in our sector and since it was put into practice, we have already seen a significant improvement in customer satisfaction.

What next?

1 Our current performance in providing new connections is better than the regulatory standard we need to meet. We plan to maintain this position and, in the process, keep customer service in the upper quartile level of performance.

2 Ofgem has said there will be a review of the fuel poor scheme during 2014/2015. We will work with you to make sure we include your feedback in our response to Ofgem. Our position is that we fully support initiatives aimed at reducing rising energy cost.

Our charges and the effect on bills

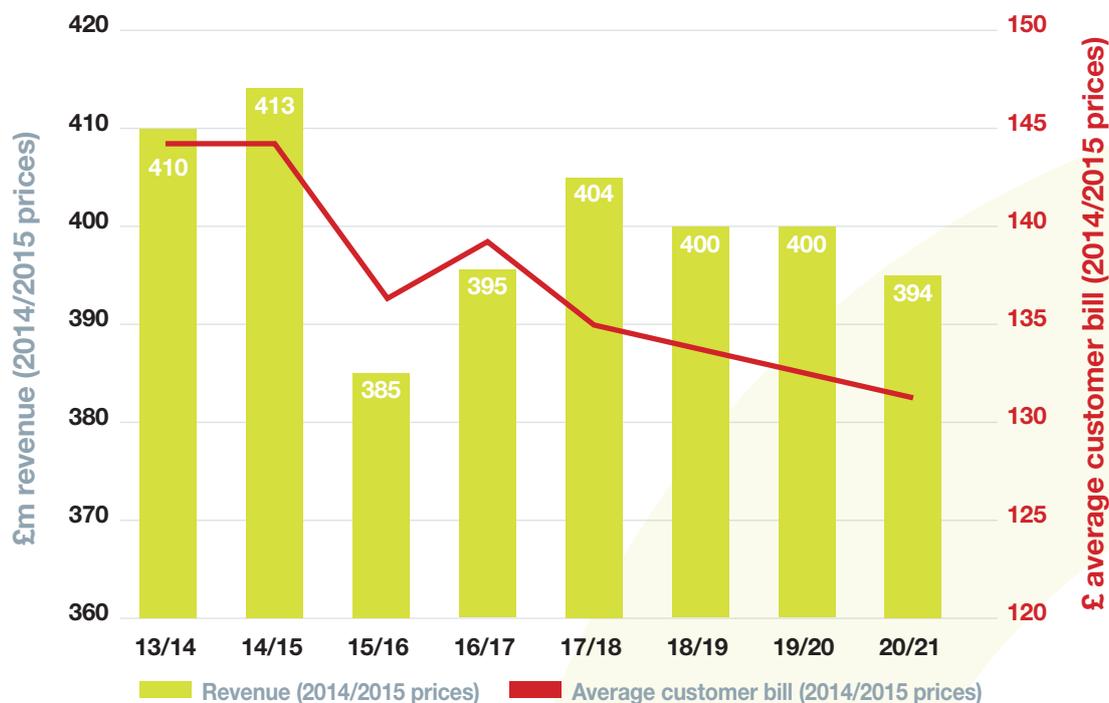
As a highly-regulated business, our costs are paid for through bills that gas customers pay.

Currently gas distribution charges make up 18% of an average household gas bill. The average customer bill is £800 a year and our part of that is £144 (£12 a month).

At around 39 pence per household each day, we believe this delivers excellent value for money for safely transporting gas to homes and businesses.

In April 2014, our charges to domestic customers increased by 94 pence a year (0.7%). This is less than inflation. The average charge we made in 2013/2014 was £144.

As a result of our efficient performance in 2013/2014, we are forecasting a £7 reduction in the average domestic customer bill from April 2015 compared to April 2014 – a reduction of 5%.



The graph shown above is in constant prices (in other words, does not include inflation) and shows that we expect our part of gas bills to continue to reduce over the price control period until 2021.

An advantage of the new price control mechanism is that customers should benefit from any efficiency improvements achieved by the gas distribution businesses 2 years after they are achieved. They will not have to wait until the start of the next price control period.

For customers to benefit from the savings made by our achievements, suppliers must pass on the reductions in charges they receive from the gas distribution businesses.

working with you – how to get involved

Our commitments are designed to give you a safe gas supply which is there when you need it, while also providing first-class customer service.

- We really value your opinion and would like you to continue to help us shape our business over the coming years.
- If you're willing to help us, we would be pleased to hear from you. There are many ways you can get in touch and be involved:
 - Would you like to be involved in our customer panels?
 - Could you consider taking part in our online surveys?
 - Would you like to be invited to our events?
 - We have funds available to support innovative projects to help deliver our commitments – is this something you'd like to work with us on?

Please visit our website www.wwutilities.co.uk and register your interest today – we look forward to working with you.

If you'd like to have a chat with us about how you can get involved please feel free to call our Stakeholder Engagement Team on **02920 278 546** or email us on workingwithyou@wwutilities.co.uk

For general updates and information, why not follow us on twitter [@wwutilities](https://twitter.com/wwutilities) or on Facebook at facebook.com/wwutilities

For Training Academy enquiries, please email

trainingacademyenquiries@wwutilities.co.uk

For Plant Protection enquiries, please email

plantprotection@wwutilities.co.uk

Interested in a career at Wales & West Utilities? Please contact our HR Team on

recruitment@wwutilities.co.uk

Do you have an innovative idea? Please contact our Innovation Team on

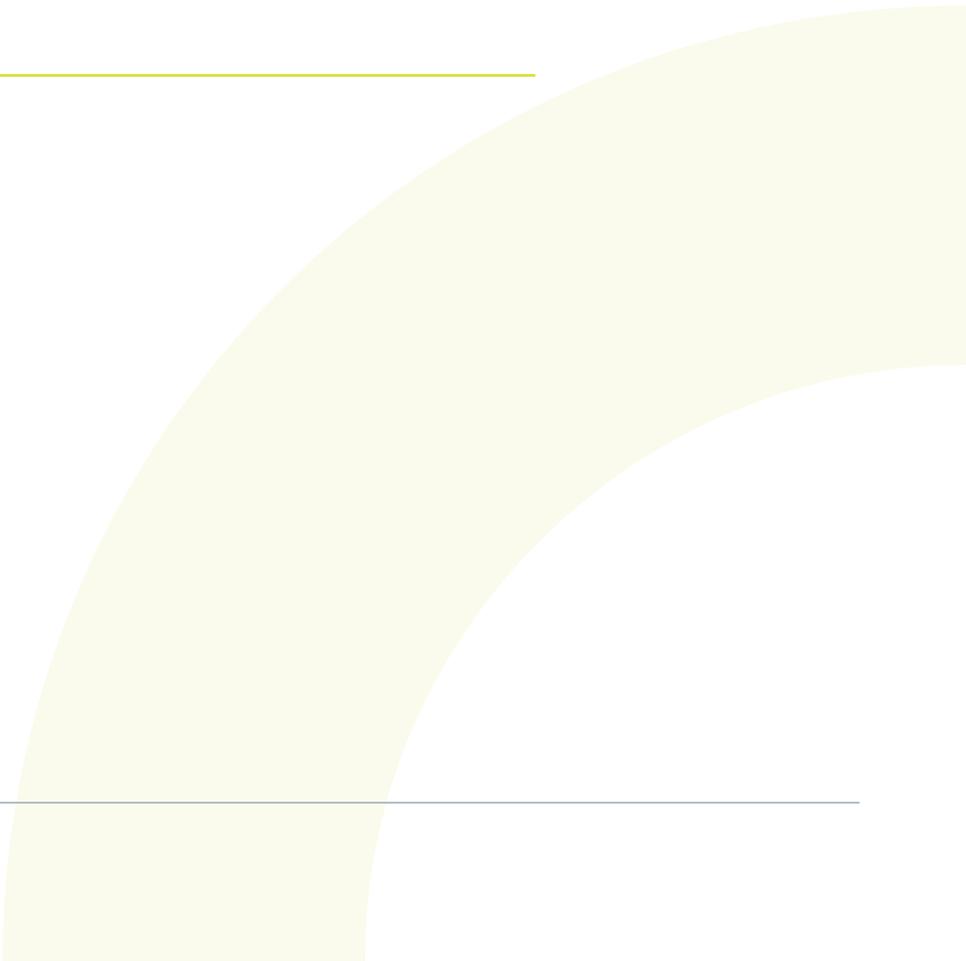
innovation@wwutilities.co.uk

For information on our Warm Home Assistance scheme contact our team on

enquiries@wwutilities.co.uk

For general enquiries, please email

enquiries@wwutilities.co.uk



Our customers told us...

- ““ Could not have asked for a better service – **Taunton**
- ““ We were told your engineer would arrive within 2 hours but he came within 20 minutes. Fantastic service – **Cardiff**
- ““ Well done, disruption was kept to a minimum – **Cardiff**
- ““ Extremely informative and helpful engineer. He made a worrying situation bearable – **Port Talbot**
- ““ All round first class service – **Cornwall**
- ““ Extremely efficient engineer who answered any questions I had – **Conwy**
- ““ Very polite and professional. Took the time to explain the leaflet and safety issues. Phoned before arriving – **Oswestry**
- ““ Good service from WWU – **Ilfracombe**
- ““ Excellent, prompt and professional service. Thank you! – **Bridgend**
- ““ He was very polite and took real care to treat me, my pets and my home with respect. Top job – **Plymouth**
- ““ Excellent service. Explained where the leak was coming from. Impressed with the service. It put my mind at rest – **Cornwall**
- ““ I am very happy with the service provided. The engineer was very helpful and put mind totally at ease that my appliance was safe – **Deeside**
- ““ Very professional and made me feel safe and secure in my own home – **Bridgend**
- ““ Everything was explained really carefully and the gas leak was located and repaired. Arrived within 20 minutes of my call – **Bath**