



Appendix 5H

Stakeholder Views - Conflicts



December 2019

Legal Notice

This paper forms part of Wales & West Utilities Limited Regulatory Business Plan. 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 WWU Business Plan. This is applicable in full to this paper, as though set out in full here.



Stakeholder conflicts and resolutions

Deliverable	Conflict	Resolution
1.1 Consumer Vulnerability and carbon monoxide (CO) safety 'Use it or Lose it' allowance	In respect of CO awareness raising and alarm provision, stakeholder and customer opinions varied with support for CO alarm provision for all from some, while others said this was not the responsibility of a gas network. Stakeholders at Regional Community Workshops as well as our Critical Friends Panel also indicated that our support for provision of CO monitors should be targeted at those most affected by CO and vulnerable people living in rural areas.	Our Social Return on Investment tool indicated both direct customer financial and societal return on investment in relation to fuel poverty that was significantly more than the benefits accrued by the provision of CO awareness measures. However, the Social Return on Investment for the provision of CO monitors showed the greatest return. With conflicting views on whether CO alarm provision should be an investment priority for the business and a prohibitively high cost of mass provision of CO monitors, we made the decision to invest proportionately more in alleviating fuel poverty and working with partners to distribute CO alarms to super priority customers in vulnerable situations, while progressing higher return on investment CO awareness messaging activities.
1.2 Fuel Poor Network Extension Scheme (FPNES)	Our stakeholders recognise the role of the FPNES in tackling fuel poverty. Our engagement with partners and central heating system funding providers has led our FPNES ambition in GD2, being lower than it was in GD1. Lack of ambition was raised as a challenge by both the RIIO2 CG and CEG. Citizens Advice produced a report containing essays from several influential stakeholders ¹ . This contained broad support for	Overall, stakeholders support the continuation of the FPNES as long as gas is the best option for the home considering the short and long-term UK energy markets. Whilst customers would like us to be ambitious, they accept our caution on committing to higher targets given the lack of visibility of UK heat and funding for first time gas central heating systems. However, the uncertain future of energy in the UK and commitments to decarbonise can be at odds. Ofgem require partners to demonstrate gas is the best option for a property for FPNES funding to be provided. This message, combined with clear feedback about ensuring that funding only goes to homes in true fuel poverty, supports our lower ambition in GD2 compared to GD1, but a will to do more if government

¹ https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/RIIO-2%20Vulnerability%20Essays_FINAL%20%281%29.pdf



	the FPNES but again said it was important to ensure that the scheme targets the most in need and the benefits can continue to be demonstrated. The report also flagged the potential conflict with decarbonisation of heat.	policy will support first time gas central heating.
1.16 Enhanced GSoP payments & 1.17 Voluntary Interruption Payments	<p>Some customers and stakeholders felt that during outages, communication is key and that being informed of what is going on is more valuable than financial compensation. This featured in responses from customers who had previously experienced a supply interruption and was also reported in engagement with our Critical Friends Panel, on acceptability of our commitment proposal.</p> <p>The amount that should be paid as compensation and the duration of time after which a payment should be made have also proven to be areas where there are varying views from our stakeholders.</p> <p>Citizens Advice favourably reported on our voluntary doubling of GSOP payments since 2017. In our engagement on GSOPs with vulnerability experts, a scaled compensation level starting at £50 for the first day of a gas interruption was suggested. On the other hand, our Critical Friends Panel in 2018 did not reach a consensus on the amount</p>	<p>In the light of conflicting views on the level of compensation payments and whether financial compensation is more important than communications around interruptions, we have balanced our approach in developing our commitment. Key considerations in our commitment development were:</p> <ul style="list-style-type: none"> • Bringing in a requirement for GSoP payments to be automatic is core to our proposals, as this is supported by a majority of our stakeholders • We propose setting the level of compensation above the minimum required by Ofgem and in line with our GD1 payments, as we believe that going backwards would be detrimental to customers, and will track feedback, while staying open to making changes to future levels if necessary. <p>In addition, customer feedback on the importance of communication during interruptions and the requirement for different levels of and methods of engagement during that time, will focus in our ongoing customer communication improvement drive, in our aim to provide bespoke customer communications and service delivery.</p>



	of compensation but felt that consideration should be given for making higher payment for those on the Priority Service Register and awarding more during the winter months. At each of our regional workshops, there were lengthy discussions surrounding compensation, but again no consensus was reached.	
1.7 Repex – tier 1 mains replacement	<p>Customers' number one priority is to continue knowing their gas network is safe and reliable. Throughout the GD1 period, safety has consistently been ranked to be of primary importance for our stakeholders. Our most recent research reaffirmed the importance of safe and reliable gas supply, with a clear expectation that we will continue to deliver excellent performance in emergency responses and replace old leaking pipes. Customer comments at focus groups included that we should get the replacement work programme done as quickly as possible.</p> <p>Local authorities were not supportive of a faster paced replacement programme due to the disruption it causes communities and felt that it may not be deliverable based on current forecasts of the labour market.</p> <p>Ofgem has suggested a very high bar would have to be passed to make the case for</p>	<p>We understand that maintaining a safe network is our customers' highest priority, explaining their requests for the programme to be accelerated. And we also understand the community disruption that replacement work causes and the need to minimise this – while putting safety first.</p> <p>Faced with conflicting views, we looked to our safety record and HSE expert opinion, together with the views of our regulator, and considered the labour market limiting our ability to do more. So far, we have met all safety standards set by Ofgem and the Health and Safety Executive (HSE) in GD1 and have been classed as an exemplary performer in safety leadership by HSE.</p> <p>To help ensure that we are putting customers' number one priority as ours, we decided to continue with this commitment to reduce the safety risk for over half a million people living in the vicinity of an ageing gas metallic gas main. Also, our Net Zero uncertainty mechanism includes provision for a ramp up to support heat decarbonisation.</p>



	<p>accelerating the replacement programme.</p> <p>Our expert engagement with BEIS and HSE and local authorities has supported our commitment.</p>	
<p>1.24 Move 75% of company cars to hybrid or ultra-low emission vehicles by 2026, explore green alternatives for our commercial fleet, and reduce mileage to achieve a zero emissions fleet by 2035 - supporting biodiversity and improving air quality.</p>	<p>Through our engagement activities we were challenged on the target we had set ourselves, which included to take a look at all the company's transport needs including train and air travel, and to take that as a reference point from which to set reduction targets. Also, in terms of reducing our environmental impact, changing our company car policy to achieve this commitment was seen as a drop in the ocean compared with the 96% of carbon emissions that come from gas leaking from old gas pipes.</p> <p>Stakeholders at our community regional workshops challenged us on the target we had set ourselves, which included to take a look at all the company's operational travel and not just company cars.</p>	<p>We know that reducing vehicle emissions is also important for maintaining clean air policies, as expressed by Bristol local authority with their new clean air zones – being the first city to ban diesel cars from entering parts of the city. We decided to also commit to explore green alternatives for our operational fleet and reduce company mileage, where possible. We have also increased our ambition to have zero emissions fleet by 2035 to support biodiversity and improve air quality.</p>



1.25 Delivering a net zero ready network by 2035	A potential conflict highlighted by stakeholders at regional workshops is around the financing of a net zero ready network – who should pay, customers, government, developers? Stakeholders also want us to make sure that affordability and network reliability will not be impacted. Similarly, during the sustainability deep dive session, there was referencing to keeping our actions and network as green as possible without drastically increasing bills. Another concern is the potential for job losses, although it was acknowledged that there is a skills gap.	Based on extensive engagement across a wide range of stakeholders, we believe that our commitment to deliver a net zero ready network by 2035 is viewed as the right thing to do by our stakeholders. This is a ‘no regrets’ option and we have not proposed any additional base funding and instead, are proposing an uncertainty mechanism to fund this investment in GD2. It should be noted that we consider price, reliability and workforce resilience in other commitments.
1.26 Invest in innovation to support the national strategic energy challenges, working collaboratively with Ofgem, BEIS and the wider industry	A potential conflict highlighted by stakeholders at the gas network collaborative future of gas workshop is the possible disconnect between short term RII02 timeframes and longer-term decarbonisation targets along with some concern that pressure on network company costs may prevent innovation. However, whilst the RII02 timeframe is limited, Government targets are longer term as is our commitment associated with net zero ready by 2035.	Based on feedback, two commitments were derived: <ul style="list-style-type: none"> - Work collaboratively to invest in innovation to support the future energy challenges as national demand increases. - Work collaboratively with BEIS, Ofgem and the networks to develop an agreed narrative and engagement programme on the future of energy. Through our engagement it was clear that there are areas where we could do more to share information on future energy scenarios and decarbonisation with key industry stakeholders. Our stakeholder feedback and external horizon scanning on the importance of supporting the national strategic energy challenges tells us that investing in innovation in this area is particularly appropriate.
1.33 Continue to invest in innovation, working with	One potential conflict identified by stakeholders attending the collaborative gas networks workshop is that while collaboration is	The sector has matured from a position of working in isolation to being highly collaborative. The NIA incentive has played an important role in encouraging network companies to work with each other as well as



<p>around 500 external organisations during GD2 (compared to 350 in GD1) and sourcing over 50% of our ideas from outside our business.</p>	<p>seen as beneficial, this may not be compatible with competition – some suggested a stronger incentive to allow networks to work together on achieving shared goals more effectively.</p>	<p>with small and medium enterprises, academia and wider industries – and will continue to do so. We have taken a leading role and collaborated with other network companies on 68% of our GD1 portfolio and plan to continue this focus into GD2.</p> <p>There has never been a more important time to collaborate as we develop integrated whole system solutions for our evolving networks and look to deliver best in class services to customers sharing expertise, solving problems together and delivering successful projects.</p> <p>Our established approach will continue to facilitate a highly collaborative programme for shared costs and benefits. Incentive funding such as the new vulnerability use it or lose it allowance and NIA fund provide strong incentives to work together.</p>
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