

Appendix 2

WWU Customer Engagement Group

Detailed RAG by chapter

Chapter number and title	Overall view of the BP and approach	Responsiveness to CEG challenge	Quality of CEG and customer / stakeholder engagement	Key areas of concern/ disagreement/ challenge that could be further scrutinised	Key areas of strength / CEG support
2. Our Consumer value proposition	<p>WWU was able to make strong progress on the CVP.</p> <p>It has developed into a well-constructed and evidenced section with a stronger focus on additionality.</p>	<p>The late requirement for a CVP by Ofgem constrained the depth of challenge. WWU were responsive to CEG and challenges are reflected in the latest iteration of the Business Plan.</p>	<p>In this section the CEG draws upon the customer and stakeholder engagement across the Business Plan and therefore it shares those strengths and weaknesses. Based on this assessment our score for engagement in the CVP Chapter would be Amber. However, as the CVP Chapter is a new requirement, we have given this a Green RAG score as there was insufficient time for the Company to consult. The SROI tool provides greater insight into the distributional value of Business Plan proposals for different customer segments.</p>	<p>Value broken down by customer segments has improved but at a relatively generalised level and distributional impact of proposals on intergenerational or geographical basis is limited.</p> <p>The appendix is unavoidably late into the process set by Ofgem, and it contains more information than can be easily interrogated.</p>	<p>Use of SROI methodology.</p> <p>External validation of process.</p> <p>Focus on areas beyond BAU.</p> <p>Use of appendices to show how decisions have been made.</p>
3. Outputs and incentives	<p>WWU has followed Ofgem's prescribed output design requirements. The CEG welcomes WWU's initiative to offer bespoke outputs and commitments to its customers.</p> <p>The level of justification and optioneering in Appendix 3A is not as detailed as consistent as we would have wished for. It is not possible for every output to present past, present and forecasted performance. In places, only a qualitative assessment of different options is provided, without comparing costs. The justification document also draws very little on exiting literature and research to inform customers.</p>	<p>Response to queries and challenges (largely around vulnerable consumers, GSOPs, customer complaints, response times, shrinkage and theft of gas) was satisfactory.</p> <p>WWU was very helpful in clarifying understanding some of the hidden difficulties with measurement and the impact of climate and geography on responses.</p> <p>Responsive to CEG challenge to produce appendices to justify each output.</p>	<p>As more generally the quality of engagement, results have arrived at the end of the planning process but there is sufficient information to give support to the proposals.</p>	<p>We recommend Ofgem consider its design of the interruptions target.</p> <p>The CEG was split in its assessment on WWU's proposed financial upside incentive on Theft of Gas, one member believing the incentive design was not sufficiently justified.¹</p>	<p>CEG supports the outputs and incentives as tabled in the plan and any issues are raised in the individual chapters. WWU are highly committed to delivering for consumers.</p>

¹ This split in views emerged in December based on WWU's final Business Plan submission. Hence it is not reflected in WWU's plan.

4. Track record	<p>Excellent delivery against targets in GD1.</p> <p>Additionally, substantial cost savings delivered during the period with benefits to consumers as well as the company. Seems to have fallen behind our perception of other companies in assessment of quality of approach to customer engagement and now running to catch up.</p>	<p>The relatively few issues were reconciled swiftly, and all staff endeavoured to be as open and helpful as possible.</p>	<p>Clear issues historically in achieving high quality engagement with foray into quantitative and leading approaches. Now making serious and professional progress. Certainly, WWU wanted to do the 'right thing' but struggled to identify the best techniques.</p>	<p>It is possible to interpret GD1 and the substantial cost savings during the period as a generous settlement but clearly the company had imposed a strong 'efficiency' ethics to deliver the performance during the price period</p>	<p>WWU demonstrated strengths in a wide area of activities during GD1. These included: engineering skills, focus on efficiency, good track record in innovation, very good progress on Net Zero techniques and research. In addition, although customer engagement was not good at this stage WWU had taken steps to alter their workforce to offer customer care on the consumers doorstep, recognising some of the issues of vulnerability among consumers.</p>
5. Giving customers and stakeholders a stronger voice	<p>The overall approach was adequate with some elements of strength and weakness. There was a good use of external consultants to bring rigour and independence to the engagement process. WWU engaged a wide variety of stakeholders and consumers across Wales and the South West. The methods ranged from one-to-one interviews to large scale surveys, workshops and focus groups. The methods were appropriate, though not innovative.</p>	<p>WWU were open and responsive to challenge and they gave us access to senior responsible staff.</p> <p>They provided the CEG with comparatively late provision of detailed justification of proposals in the form of appendices.</p>	<p>WWU were willing to talk about challenges and weaknesses, they presented us with timely provision of material and access to engagement consultants.</p> <p>There is room for improvement to consistently produce accessible engagement material and provide sufficient information for participants to form an unbiased view (see Engagement Deep Dive Appendix 12).</p>	<p>There is room for improvement in articulation of the engagement strategy, and in resourcing for engagement, although it appears to be increasing for GD2.</p> <p>WWU could still improve the description of how different sources of evidence and views are weighed off, especially when they are conflicting. We appreciate this is something many companies struggle with.</p>	<p>There are lessons learnt from GD1 and use of good practice from other companies. Synthesis and triangulation were approached through a third party.</p> <p>There was a planned audit of engagement against AA1000SES. GD2 engagement plans include a citizens' panel and continued CEG involvement, as well as the use of Engagement Champions across the business.</p>
6. Customer service	<p>There is good executive led focus on customer service, principles of which appear well embedded in the organisation.</p> <p>There is focus on how to keep up with customer expectations, rather than seek wholesale overhaul is adequate given current excellent customer service performance.</p>	<p>The CEG challenge for better segmentation and triangulation was slow to fruition but is evident in the final chapter.</p>	<p>WWU show good commitment to best practice via Service Mark and BSI accreditation and there are clear processes in the organisation for complaint handling and resolution. Good MI available.</p>	<p>WWU's commitment to better segmentation and demographics going forward must enable a more tailored approach to different customer groups.</p> <p>We were ambivalent about enhanced compensation payments for GSoP failures but can accept the company view that this financial constraint leads to greater internal emphasis on 'right first time' for customers.</p> <p>More work needed on future customers' requirements.</p> <p>We would welcome Ofgem scrutiny of the interruption target, as well as Ofgem reconsidering its incentive design which we believe does not act in the interest of consumers.</p>	<p>Benchmarking outside the industry with recognised standards.</p> <p>Executive leadership of the subject.</p> <p>Focus on improving communications and on worst served customers.</p> <p>Proposal to measure interruption from when customer has gas at their appliances, rather than at their ECV.</p>

7. Social obligations	This is an area WWU are very familiar with, have done much in previous years and have steady plans going forward. Most targets are well reasoned and supported by engagement activity.	Several CEG challenges have been listened to and the plan amended to reflect. Some are still not as ambitious as the CEG would have liked. But on the whole, we are supportive of the general direction.	The data is presented in an accessible and clear format, much improved from previous versions. Customer / stakeholder feedback has been well presented and justified where pushed back (e.g. CO monitors).	Some lower level challenges lack ambition but on the whole the plan has improved in its social obligations.	Innovative ways and joined up thinking makes this chapter stronger.
8. Customer bills	Good presentation of the data however, this was confused by WWU's historic debt issue. WWU have provided further clarification in the final Business Plan, with additional information on what bills would be for consumers if Ofgem guidance in this area was followed.	WWU have been energetic in wanting to satisfy CEG challenges and clarifications.	As stakeholder engagement has improved there has been some good testing of the bills against a variety of audiences. The majority perceive the offering as good value for money @£133 p.a. However, customers were not presented with detail on what bill levels would be if Ofgem guidance in this area had been followed.	There are issues around the cost of historic debt, and the Ofgem policy of remunerating debt based on an index for all companies. This aspect of Financeability is outside the CEG remit.	As ever WWU have sought to provide the data we request and are always willing to meet and discuss issues. General secretariat is first class.
9. Cost efficiency	Good – A well laid out chapter that clearly that illustrates the totex, capex and opex positions over the Business Plan period, with meaningful comparison between GD1 and GD2. Note that controllable costs are increasing by anywhere between 8% - 10% on average. This chapter presents a strong narrative, but the subject matter remains a fundamental issue for the CEG.	Good – CEG focus was on ensuring clarity of the financial impact and coherent explanation.	Customer and stakeholder engagement for this Chapter is covered in other sections of our report.	After considerable discussion and challenge, the CEG believe that the efficiency challenge set by the company is too conservative at 0.5% p.a. We recognise that this is cumulative but, especially when taken in the context of GD1 performance, we believe this to be too low. The CEG are disappointed that we were not able to persuade the Company to adopt a more challenging efficiency target.	The company clearly has a strong understanding of its cost base and how this might change over GD2. The Ofgem benchmarking will determine whether these cost increases are appropriate or justifiable.
10. Using competition to deliver best	Strong – The Chapter outlines the procurement strategy, how this has delivered real value and the benefit in external benchmarking. The company is ISO20400 compliant.	Good – the procurement activity is well structured and seems very appropriate for the organisation.	Customer and stakeholder engagement are covered in other Chapters in this Section.	There were no key areas of concern with this chapter.	The CEG recognise the core strengths of the organisation and were pleased to see the desire to be a good corporate citizen, particularly with regard to supporting SMEs We support the use of external benchmarking.

<p>11. Our innovation strategy</p>	<p>Along with the overall Business Plan, this chapter has improved significantly over the past few months. Innovation is key for any business and WWU faces the additional challenge of the target to decarbonise the economy by 2050. The approach to innovation is methodical and clearly aligned with the needs of the business, the market and, critically, stakeholders. The Innovation Strategy aligns well with the Future of Energy and Environment Chapters, providing a robust and holistic approach to the identification and execution of projects, together with an assessment of impact.</p>	<p>There was full, timely access to relevant, senior staff, they provided effective and efficient responses to CEG challenges. There was an open and constructive approach to challenge responses. All challenges are now closed.</p>	<p>An early innovation performance was defined by the company largely as related to operational efficiency only, leading to a relatively narrow scope for stakeholder consultation and engagement. This has improved over time, with a recognition that “doing better things” is at least as important as “doing things better”. This broadened perspective has led to a more complete treatment of the Innovation Strategy and a positive CEG engagement. The information provided has been of a high quality and unbiased.</p>	<p>None</p>	<p>WWU provided an evidence-based approach to the development of an Innovation Strategy. It included a logical and robust process for project identification, execution and measurement. There is close coupling between the Innovation, Future of Energy and Environment chapters. A good combination of technical and service-based innovations.</p>
<p>12. Dealing with uncertainty</p>	<p>WWU has followed the guidelines prescribed by Ofgem in seeking to address future uncertainties. The Business Plan builds on GD1 and focuses mostly on traditional, incremental uncertainties (e.g. changes in business rates) rather than transformational events (e.g. climate change legislations).</p>	<p>CEG challenged the company and the list it presented appears comprehensive. However, CEG is not equipped to undertake a risk assessment of the organisation.</p>	<p>Not known at this stage</p>	<p>CEG highlighted that this chapter of the plan seems relatively weaker on response to climate change uncertainty and potential political changes (eg Brexit).</p>	<p>CEG believes that this chapter has comprehensively reviewed likely future uncertainties.</p>
<p>13. Our net zero vision for 2035</p>	<p>Chapter 13 is a strength of the business plan. WWU are renowned in the Energy sector for their originality and responsiveness to future energy challenges. They deliver well above what would be considered ‘sufficient’ in terms of assessing proposals. Their ‘Pathfinder’ model - initiated in response to a consumer-led ‘energy island’ initiative – is fast becoming an industry model, it enables well informed decision making, not least, costing of projects/proposal.</p>	<p>Full, timely access to relevant, senior staff. Challenges on this topic are closed. Timely responses to challenges, with additional one-to-one meetings where required.</p>	<p>The more recent stakeholder engagement events (‘deep dive’) concerning future of energy were of high quality. CEG member attended previous WWU critical friends’ panel, where it was considered that the energy-related questions to be overly simplistic/intentioned. By contrast, the ‘deep dive’ sessions with external consultants ‘IMPACT’ (March2019) – was excellent, systematically taking the selected group through the energy trilemma to arrive at well-founded evidence regarding the relative value of sustainability/affordability/security.</p>	<p>No outstanding challenges, although some areas require monitoring as outlined within the section. Noted that cyber security has been omitted (WWU took advantage of the Ofgem offer to withhold the Cyber Plan for later submission), but this will require attention through GD2.</p>	<p>Multi-vector pathfinder model is industry leading. Response to net-zero government announcement during latter stages of BP development, demonstrating responsiveness (i.e. targeting net-zero READY by 2035).</p>

14. Environmental Action Plan	Greatly improved and well supported by evidence.	<p>Late getting final draft but the journey process from the beginning to the latest information and the amount they have grown from feedback has been impressive.</p> <p>Access to staff has been very good as has responsiveness to challenges.</p> <p>All challenges have been met.</p>	The CEG felt engagement reflected general public interest in the environment, with some tough challenges coming through and as such the company have prioritised environment, putting sustainability at the heart of the plan. Big changes have been made following the research, and WWU have addressed some of the more controversial areas well.	Concern around some areas not being ambitious but overall these areas have much less impact on environment and decarbonisation, for example carbon savings from pipe replacement outweigh plans for hybrid fleet. Therefore, in balance, happy with the bigger picture.	The strength is to see how far WWU has improved this area, in light of engagement and push backs from the CEG. Plans for biodiversity exceed where we thought a GDN would be. Impressive plans for partnership working to address larger scale.
15. Asset resilience	Strong – A coherent and well-structured chapter that clearly builds on a strong GD1 performance. Conclusions are based on comprehensive data and detailed risk assessments. Bulk of the costs (71%) arises from mandated investment.	Good – CEG raised issues regarding understanding of risk methodology, inclusion of renewables and the impact on vulnerable customers.	Good – Inclusion in customer research demonstrated the importance of a reliable and safe gas network. Positive engagement with HSE and industry, evidenced by leadership of IGEM.	It is impossible for the CEG to assess in isolation whether the overall cost of the programme delivers good value and we look forward to the benchmarked exercise that will be undertaken by Ofgem.	CEG particularly support the work undertaken to assess the impact on vulnerable customers. The investment in data (and making this widely available to other industry players) is fully supported by the CEG. The inclusion of the impact on community renewables is also to be welcomed.
16. The Distribution network	<p>Strong – Building on strong performance in GD1, the company has used sophisticated asset risk management techniques to develop the Business Plan, with recommended replacement derived from detailed cost benefit analysis (CBA).</p> <p>It should be noted that costs are expected to rise by ~£10m pa on average (GD1 – GD2).</p>	<p>Good – A consistent criticism of early drafts was the difficulty in comparing data across the GD1 and GD2 Plan periods. This has been significantly improved in final Business Plan.</p> <p>CEG challenged at the length the cost increases outlined in Section 11. The final draft has much more information and is supported by detailed appendices.</p>	Good – the company exhibits a close working relationship with Local Authorities and other key stakeholders. Feedback from consumers is captured in the customer survey and appears supportive.	<p>Key concern is the ability of the CEG to undertake any assessment of the validity of the proposed costs (e.g. Mains laying technique changes, labour cost increases). We note that Ofgem will undertake a review of costs and compare with peers.</p> <p>Maintaining the distribution network is where the most significant costs are incurred (~£100m pa).</p>	CEG recognise that the bulk of these costs arise from mandated work (HSE) and fully support the use of sophisticated cost benefit analysis to determine the optimum mains replacement programme.
17. Connecting homes and businesses	Strong – The Chapter is consistent with previous chapters in this section. It builds on expertise in gas pipeline management and the strong performance of the organisation in GD1.	<p>Good – CEG challenged the use and structure of ‘Theft of Gas’ as an appropriate GD2 output. This was completely revised in final draft (this output is commented on in the Outputs and incentives section of our Report).</p> <p>CEG also encouraged further information on the provision of services to non-domestic and renewable customers.</p> <p>Further, we note the review undertaken by Ofgem regarding the FPNES and the support for this scheme from NEA and the Welsh Government.</p>	Good - Given that this activity directly impacts consumers and other stakeholders (e.g. Local Authorities, Welsh Government etc), the greater focus on obtaining, and acting on, feedback is to be welcomed.	<p>Further scrutiny could be applied to the future use of gas and the extent to which this significantly impacts the organisation over the GD2 period.</p> <p>Although cost increases in this area are modest, it remains beyond the scope of the CEG to determine whether the base costs are appropriate.</p> <p>New housing connections appear to be flat across GD2, despite the renewed pressure for all new-builds to be gas free by 2025.</p>	<p>The CEG are pleased to see the specific inclusion of the fuel poor in this chapter of the Business Plan.</p> <p>We note the proposed activity to support further low carbon development (e.g. district heat networks, CMG transport etc.).</p>

18. Transmission and pressure management	Strong – The Chapter is consistent and coherent with previous chapters in this section. It builds on the risk and cost benefit analysis.	Good – the key challenge from the CEG was regarding the presentation of data to allow for meaningful GD1 – GD2 comparison. Average cost increases (GD1 – GD2) are modest at around £1.5m pa.	Good – The company engaged from the outset with the CEG on the technical and economic impacts of maintaining the network. Engagement with other key stakeholders was also good, being focused on industry, BEIS and CNI rather than consumers.	There were no key areas of concern with this chapter. It is beyond the scope of the CEG to determine whether the base costs are appropriate.	The CEG recognise the core strengths of the organisation and that this chapter complements the previous ones in this section.
19. Workforce resilience	This chapter presents WWU as having a very clear understanding of workforce challenges and positive attitude to their future resolution.	WWU management were receptive and responsive.	WWU worked well with CEG and show their intention to continue with stakeholder engagement.	Possible further emphasis on skills required for newer technologies and energy sources.	WWU willingness to make specific effort which is responsive to new and demanding circumstances.
21. Business IT security	Business Plan explains clearly that WWU have a well formed and reasoned policy regarding IT risk.	Open discussions and clarification in response to challenges.	Clear statements and graphic illustration of plans. More evidence provided by staff as requested.	Unsure whether this section should be separate from Cyber security.	Newer versions have demonstrated more clearly WWU understanding and preparation for threats.