

Appendix 7

WWU Customer Engagement Group

July CEG Report on RIIO-2 Challenge Group

Report on Wales & West Utilities (WWU) Business Plan (July 2019) from Customer Engagement Group (CEG) to the RIIO-2 Challenge Group (CG).

WWU have adopted the three major themes highlighted by Ofgem and added a fourth – Value for Money – in a plan of 200 pages. This brief report seeks to identify the major challenges the CEG has identified in this draft with a view to improving the clarity and usefulness of the plan to Ofgem's Price Review. It excludes issues of Financeability. A simple system of judging the quality of each chapter has been used (see over page). CEG has focussed their attention on the five areas scoring 'Unacceptable'.

From the perspective of the CEG, we regard the interaction with WWU as a very positive one, reflecting that of a mature business that has delivered strongly during the GD1 period as recognised by Ofgem. In the context of GD2, engagement has been open and positive and we have seen significant improvements in the development of the Business Plan. However, at this point in time, we remain concerned about a number of key areas. We have fed this information back fully to WWU and look forward to seeing the next iteration of the Business Plan.

Key concerns:

- A stronger sense of ambition is required.
- Statements need to be better evidenced and there must be better prioritisation.
- Further clarity is required on Board level leadership and executive ownership across topics.
- Risks are not always fully identified and the solutions are not clearly justified.

Chapters scoring unacceptable:

Giving consumers and stakeholder a stronger voice – Unacceptable & Amber

- This section should explain how stakeholder and consumer feedback will be embedded into everything, underpinning all business decisions.
- The 'hard issues' of bills, sustainability and vulnerability should be focused on, options set out, trade-offs explained.
- We would expect an appendix that sets out a full stakeholder map, and engagement plan including priorities, risks, assumptions, weighted for informed/uninformed stakeholders and consumers.

Customer Bills – Unacceptable & Red

- This is a complex area but CEG believes there needs to be better justification of what is best for customers.
- Should link explicitly to fuel poverty and vulnerability strategy and to the future of energy.

Cost efficiency – Unacceptable & Red

- Much improved: presentation of averages masks some issues.
- Justification of increases in REPEX needs more detailed breakdown of unit costs to illustrate some of the increases which result in significant expenditure going forward (graph p80).
- Would like to see a more challenging efficiency target.

Protecting and improving the environment – Unacceptable & Red

- Ambition appears low. Focus is on compliance rather than proactive leadership. It is not clear how biodiversity will be addressed in the future. How might the Environmental Assessment Plan influence the Business Plan?

Cyber resilience – Unacceptable & Red

- Overall concern that this section fails to fully identify risks and solutions. Appears to accept ‘this is hard’ and does not clearly identify a way forward e.g.
 - How will WWU inform stakeholders etc if a breach were to happen?

Section	RAG	Rating	Section	RAG	Rating
1. Executive summary	A	A	12. A green energy UK: A whole systems approach	A	A
2. Outputs & incentives	A	A	13. UN Sustainable Development Goals	A	A
3. Track record	G	G	14. Protecting and improving the environment	R	U
4. Giving consumers and stakeholders a stronger voice	A	U	15. Asset resilience	G	A
5. Customer service	A	A	16. The distribution network	A	A
6. Social Obligations	A	A	17. Connecting homes and businesses	G	G
7. Customer bills	R	U	18. Transmission and pressure management	G	G
8. Cost efficiency	R	U	19. Workforce resilience	A	A
9. Using competition to deliver best value	G	G	20. Cyber resilience	R	U
10. Our innovation strategy	A	A	21. Financeability – <i>outside CEG remit</i>	-	-
11. Dealing with uncertainty	G	A			

- Concerns that the digital perimeter is fragile - harder to define and therefore to protect – this needs to be defined.

The following ratings are entirely subjective and restricted to a group of 9 people using their professional judgement to assess the quality of the entire Business Plan. There may be considerable deviation from other CEGs which may lead to discrepancies with other companies and plans.

RAG – Red (R) Amber¹ (A) Green (G)

Rating – Unacceptable (U) Acceptable (A) Good (G)

¹ Amber is rated when the CEG believe that WWU is on the right track and the direction of travel has improved.