



APPENDIX 6  
CEG CHALLENGE LETTERS AND WWU'S RESPONSES

## Contents

CEG challenge letter to WWU – October 2018 .....	3
WWU response to CEG – October 2018.....	5
CEG challenge letter to WWU – November 2018 .....	8
WWU response to CEG – November 2018.....	11
CEG challenge letter to WWU – December 2018 .....	22
WWU response to CEG – December 2018.....	27
CEG challenge letter to WWU – January 2019 .....	30
WWU response to CEG – January 2019.....	32
CEG challenge letter to WWU – February 2019.....	38
WWU response to CEG – February 2019 .....	41
CEG challenge letter – March 2019 .....	49
WWU response to CEG – March 2019.....	52
CEG challenge letter to WWU – April 2019.....	59
WWU response to CEG – April 2019 .....	61
CEG challenge letter May 2019 .....	68
WWU response to CEG – May 2019.....	69
CEG challenge letter – June 2019 .....	70
WWU response to CEG – June 2019.....	72
CEG challenge letter – August 2019 .....	75
WWU response to CEG – August 2019 .....	77
CEG challenge letter to WWU – October 2019 .....	80
WWU response to CEG – October 2019.....	81

## Legal Notice

This paper was prepared for the WWU Customer Engagement Group and is supplementary to the 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.

# CEG challenge letter to WWU – October 2018

## **CONFIDENTIAL**

Sarah Hopkins  
People and Engagement Director  
Wales and West Utilities

23/10/2018

### **CEG Challenges October 2018**

Dear Sarah,

It was good of you and Elizabeth to meet with me on the 22<sup>nd</sup> of October to give you our feedback from the CEG meeting last week.

#### **Business Plan Outline**

It was recognised that the Business Plan Outline was at a very early draft stage and has a number of further iterations before it will be in its final form. Thank you for offering us the opportunity to view and comment at this very early stage. I shall list the points we raised below.

We thought it was lacking evidence of a strategic 'journey': GD1-GD2-2050. We would have liked to have seen a vision of short- and long-term goals and how they might be achieved.

There didn't seem to be recognition of any learning from GD1 but concentrated on what had gone well in GD1.

The early results from the Engagement Plan (and see below) did not seem to inform the Business Plan in a meaningful way.

There did not seem to be any major recognition of any regional differences, or indeed segmentation of customers/stakeholders in the early engagement results. Vulnerability and Fuel Poverty issues have figured quite highly in induction presentations but seem more or less absent from consideration in the Business Plan summary at this stage.

Innovation seems to be restricted to technical engineering proposals and there seemed to be no specific consideration of 'customer service' innovation.

There are frequent references to efficiencies achieved in GD1 and proposed for GD2 yet the outlook seems to be for 'stable prices'. Presumably these credits could be used to fund some of the initiatives described as 'require extra funding'. Clearly prioritisation of these will be important and estimates of a credit versus debit balance would help this process?

You agreed that the structure of the sections of Business Plan was largely determined by the, often, 'engineering bias' of the sections commissioned to draft the detail. On the day you demonstrated that this was already under review to better reflect the continuity between customer/stakeholder requirements and Business Plan contents.

There was no risk management structure outlined in the BP summaries the only reference being a comment from a stakeholder in one of the reports.

### Customer/ Stakeholder Engagement activity and early outcomes

You made clear at the meeting in Swindon that the thrust of the early engagement was principally to raise awareness in your operating area of the role and activities of WWU, since few recognised these aspects of the company.

Engagement exercises did seem 'scattergun' to the CEG, though we did recognise the chief purpose was to raise awareness of the company which has probably been achieved.

We did feel some of the example studies were very simplistic and likely to lead to bias in any assessment of customers' views. For example, many questions were 'prompted' and often the questions were longwinded. We were concerned that if these results were used in the next stage of analysis (customer requirements) it may lead to a misdirection in the services provided.

There was a strong feeling in CEG that we would have liked to see a greater effort to discern the 'segmentation' of customer/ stakeholder groups to better target limited resources by prioritisation.

### Other issues raised during the day

Glossary of terms for all WWU and Ofgem acronyms and future reports be more jargon free giving clear reasons why WWU are taking the proposed direction.

Relevance of the Future Generations Act on the company in Wales

It would be useful if the high-level plan of work for the consultation presented to WWU executive could be shared with CEG

Is it possible to see the Boston Square analysis that was mentioned in discussion?

Emphasise who WWU are engaging with, on what topics and why it is important

Finally, I have separately shared with you a list of generic 'Questions' and wider detail we will use to better understand the detail of the Business Plan going forward and allow you to better understand our approach to assessing the Plan. Also, I have shared with you proposals for a joint approach ('How do we know we've achieved anything?') to measuring the efficacy and efficiency of the role of the CEG over the next period of the development of your Business Plan.

Yours sincerely,

Mike Brooker

Attachment 1: ['Questions'](#)

Attachment 2: ['How do we know we've achieved anything?'](#)

## WWU response to CEG – October 2018

### **CONFIDENTIAL**

FAO Mike Brooker  
Customer Engagement Group Chair

14/11/2018

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Dear Mike,

Many thanks for your letter outlining the key challenges that arose from the 2<sup>nd</sup> meeting of the CEG in Swindon on the 18<sup>th</sup> of October.

Please see the following responses to each point outlined in your letter.

### **Business Plan Outline**

As agreed during the October CEG, we have now arranged to share more of the Future of Energy vision with you all in the December CEG meeting. This will also be a key part of the next version of the Business Plan.

We welcome the observation that there was no recognition of our learning from GD1 and we now plan to incorporate into our Business Plan.

We recognise the point that our engagement results did not inform the early draft of the Business Plan outcomes as these were not available to writers at the time of the internal summer draft. This is being addressed in the December internal draft which is currently being prepared and which will be shared with the CEG. Of course the engagement continues and so each version will have more data available, therefore, we expect the sophistication to be greater as time progresses.

The lack of recognition of regional differences and stakeholder segmentation will be addressed in the narrative being put together for the November CEG.

We are currently developing options to support those in vulnerable situations following the feedback from our consumer research and vulnerable customer interviews. These options will be shared with the CEG in November as per the programme of work.

Our innovation portfolio is wide ranging so we will ensure this is reflected in the next version of the Business Plan.

The savings and efficiencies we have achieved in GD1 are all baked into the GD2 plan and customers will continue to benefit. That said there is currently a lot of discussion on a number of “financing” elements that will have impacts on the finance ability of WWU and the customer bill. As mentioned at the October CEG, WWU is

currently underfunded for efficiently incurred debt costs during RIIO GD1 and this has to be resolved into RIIO 2. This element would increase this part of the customer bill for WWU. The other elements such as base equity will be a function of market conditions at the time but the direction of travel is lower than GD1 equity allowance. In summary, a lot of moving parts before we can confirm the RIIO GD2 customer bill. We are currently developing plans using the template we shared with you in the October CEG which ensures that every plan will start with the feedback we have received and the resulting commitments we are offering in GD2. Please rest assured asset risk management unpins our entire investment strategy - the methodology for this will be contained in the 'Asset Strategy' chapter. Our Financial risk management will be contained within the 'Financeability' chapter and our risk management associated with our People and Skills will be contained within our 'Workforce Resilience' Chapter. We will also deal with environmental risk management within our 'Environment Strategy' chapter.

### **Customer/ Stakeholder Engagement activity and early outcomes**

We will provide an overview which seeks to tell the engagement journey up to the current point at the November CEG meeting.

The mass consumer consultation was purposely at a high level and kept simplistic to ensure that respondents understood the questions. More detailed engagement has taken place at workshops and more bespoke engagement activities have allowed for more context, exploration and feedback.

There will be more information provided regarding segmentation of stakeholder groups and how we targeted each group for the November CEG meeting.

### **Actions**

The glossary of terms has been circulated on the CEG Trello account. Ensuring that future reports will have fewer acronyms will be an ongoing action.

The act only applies to public bodies in Wales and not at all in England; we have reviewed at a high level and believe that in the main we are working within the spirit of the act across our entire operating region. However, further to the questions from the CEG we will review more formally with our Executive team.

The high-level plan of work for the consultation will form part of the draft plan for 2019.

The Boston Square analysis will be included in the narrative for the November CEG meeting.

We will provide more information on next phase engagement plans for the November CEG meeting.

With regards to the generic questions sheet that were sent over, these have been shared with the relevant Wales & West Utilities staff that will be providing the content for each meeting and we will aim to answer all of these questions in advance of the meeting.

Should you have anything further you wish to discuss, please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink, appearing to read 'Sarah Hopkins', written in a cursive style.

Sarah Hopkins  
People & Engagement Director  
Wales & West Utilities

# CEG challenge letter to WWU – November 2018

## CONFIDENTIAL

Sarah Hopkins  
People and Engagement Director  
Wales and West Utilities

26/10/2018

### CEG Challenges November 2018

Dear Sarah,

On behalf of the Customer Engagement Group (CEG) I would like to feedback to you some 'Challenges' and 'Clarifications' which have emerged from our meeting on the 22<sup>nd</sup> of November.

The group would like to have a broader view on the **Long-term Strategy** of Wales & West Utilities beyond the short-term period represented by the current price review (e.g. Water looked at a 2050 horizon) and how does that relate to the parent company CKI.

**Risk and Resilience** does not currently figure in our work programme but is obviously a key element of all the issues we are examining. We would appreciate it if this could be more openly addressed.

**Customer and Stakeholder Engagement.** CEG still has challenges around this important topic, both about the strategy and the detail, and, even after the third presentation we have had, there are concerns about how engagement will accurately inform WWU on customer and stakeholder requirements. A number of issues have been raised by the group: -

Sampling methods used in various pieces of research.

Triangulation and weighting methods.

Comparison of best practice in other areas (e.g. water).

Recent research by Citizens Advice questioned the use of 'classic' methodology in engaging on complex long-term decisions the gas industry faces. Why were the methods you are using chosen? CEG hasn't a full picture and justification of which customer/stakeholder segment was engaged, on what topics, using which methods. (CEG would welcome a more detailed discussion with the provider you have chosen - Impact Utilities) to undertake your final piece of research before Business Plan preparation.

**Customer Outputs.** A number of issues were challenged in this area of work;

Clearly the Priority Service Register is an important basis for treating vulnerable customers appropriately, though one size does not fit all. Numbers on the register is a poor measure of performance but it will be important to be able to segment the



vulnerable population to offer a relevant service. This seems to be an important issue for Ofgem.

Comparative data on complaints from regional and fuel-poor areas and how this relates to industry wide and future WWU proposals.

CEG would like to see gap analysis and a regional breakdown of performance. (There is a view that there is a predominant focus on Wales).

The major complaints seem to be around 'communications' with customers yet no plans to address this were offered to improve this area.

How does WWU measure the quality and effectiveness of contracted partners they already have? How do you deliver Value for Money (VFM)?

There are more specific queries about all of these areas of work which are below in the Appendix.

Yours sincerely,

Mike Brooker

Chair, CEG

## Appendices

Cost benefit of Customer Service Officer (CSO) – re recent increase in numbers of officers to service, among other things, vulnerable customers.

Share longer list of ‘vulnerabilities’ (only summaries in paper) to illustrate the range of cases because Priority Service Register (PSR) hides a wide range of disabilities and vulnerabilities.

Reminder to show comparative data when available (by company).

Regional breakdown of PSR ‘sign-ups’ so that vulnerable areas can be identified.

How many stakeholders are partners?

Connections figures in Wales and South West and estimate of number that could have been done but didn’t happen because of funding

CEG members or representatives would like to meet Impact Utilities to better understand the methodology to be used in the final customer survey before the Business Plan.

Customer outputs. Contractor KPIs – can we see them?

Breakdown of GSOPs 1 and 2 (not reconnected within 24hours) - can we see the analysis?

Breakdown of complaints root causes by work area- can we see?

## WWU response to CEG – November 2018

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### **CONFIDENTIAL**

FAO Mike Brooker  
Customer Engagement Group Chair

12/12/2018

Dear Mike,

Many thanks for your letter outlining the key challenges and clarifications that arose from the 3<sup>rd</sup> meeting of the CEG on the 22<sup>nd</sup> of November.

Please see the following responses to each point outlined in your letter – some of which we have confirmed to you in recent conversations.

### **Long Term Strategy**

We plan to provide the longer term view in two ways – firstly Graham will cover this verbally at our working dinner on the 18<sup>th</sup> of December and then via the Future of Energy overview at the December CEG. This should provide a useful overview for the group – with an opportunity to explore further at these two sessions, and again in 2019 as our discussions develop and continue.

### **Risk and Resilience**

As discussed previously risk management is inherent in all of our business activities and as such, we will be referring to this by topic in many of the sessions planned during 2019, rather than having a separate 'risk' session. For example, we will be discussing asset risk management when we cover investment and workforce resilience when we discuss our people. We are unlikely to cover financial risk in detail given that the financing of our company is outside of the CEG remit.

Notwithstanding this approach, please let us know if there is anything else you want to cover in addition to this.

### **Customer and Stakeholder Engagement**

As per our recent meeting, I would welcome the opportunity to meet with your Engagement Sub-group to walk through the detail of this topic in some detail. We have only touched on some of the detail in the CEG meetings so far and have not really had the opportunity to explain our approach and methodology in any detail. As

you know Laura is trying to find a date where the sub-group and Impact Utilities are available to take a more detailed look at the information.

We would be better positioned to answer your detailed questions in this section in a meeting scenario and so would plan to also pick this up when your sub-group meets. If you want to discuss this any further, or have any concerns with my suggestion we can discuss at the next meeting on 19<sup>th</sup> December.

## **Customer Outputs**

We agree that the Priority Service Register is important for treating vulnerable customers appropriately and in line with their needs. We continue to discuss this area with Ofgem at our working groups and will keep the CEG informed as to where these conversations lead.

Please see separate attachment [‘4b – complaints’](#) for a report that has been produced to show how our complaints data can be divided and assessed by different areas (i.e. work type, responsible owner of the complaint and by postcode. This report does not show significant differences in the number of complaints when workload is taken into account. Further work will be completed to better understand how to use the data that we already have to target the root cause of complaints. One thing we think may be useful is to perhaps use a flag on a complaint if the customer is on the PSR however we are currently facing some GDPR compliance restrictions as we cannot hold the data.

The regional analysis of fuel poor connections scheme started in 2009. In RIIO-GD1, there is a virtual 50/50 split between connections in Wales and the south west of England. Based upon population alone, a split of 60% south west to 40% Wales would be expected. The Welsh government schemes, Nest, have contributed but 450 connections in 2013/14 have reduced to 150 per annum. Arbed Community Energy Scheme did not take advantage of the voucher in Phase 2 (2013-15) due to funding restrictions against EU funding. Bigger factors have been Local Authority and Social Landlord engagement – Flintshire, Anglesey, Swansea, NPT and RCT, Wales & West Housing etc.

Communication is a common theme across all work streams and is our top reason for complaints accounting for 30% (around 500 in 2017/18). We have a number of actions ongoing to tackle the root causes:

## **Connections**

Letters have been updated by Outre creative and tested at Connections Customer Forums. These have been streamlined, use more graphics and the key numbers and dates are highlighted. These will be rolled in 2019 with our new IT systems Trial of a ‘track my engineer app’ commencing in December.

Rootshoot app has been tested and will be rolled out for site surveys allowing us to capture georeferenced photos and videos from site surveys – this will avoid interpretation issues between the field and office designers.

### **Planned work**

Customer correspondence has been reviewed.

Nine Customer Support Officers have been employed to visit customers ahead of works to discuss the work with customers in person, identify vulnerable customers and agree what support they require, and to act as a first point of contact for the customers before, during and after the works.

The localised issue of projects regularly being postponed after customers have had advanced notice of the project has been addressed.

New GSOP will be tested with stakeholders in early 2019 for planned appointments for the purge and relight following the planned work project – this will also reduce the number of complaints associated with left without gas / time off gas. GDNs, Suppliers and Xoserve are working on the details of how the customer's name and contact details that are held by the suppliers can be shared ahead of planned works to allow correspondence to be personalised rather than 'to the householder'.

### **Emergency**

Main issue is around the clarity of what action we have taken on site and what WWU and the customer will do next. New paperwork is being trialled as part of the WWU Championship Cup with follow up calls being made from Despatch and Customer service teams to customers to check they have been able to resolve the situation and get customers back on gas.

### **General**

Investment has been made into a new Contact Centre System in 2019 which will allow workflows to be configured around different channels. There will be more self-service and live chat options for customers who want to self-serve freeing up agent time for customers who want to call or have written correspondence. Automated updates are to be configured, reminders of planned work dates and options for customers to confirm if the site is ready for our works by a simple click.

New customer service training modules (to be accredited by EU skills) will be rolled out in 2019 based around the WWU values of customer service, pride, energy and teamwork.

We have created formal contracts with our Fuel poor Partners. Anyone can request to be a fuel poor partner. They need to enter into a contract with us and complete a template for Ofgem to assess before they are approved. We typically pay the fuel poor partner an admin fee of £50 per voucher issued. Warm Wales are different as they are our main fuel poor partner. They process around 2,000 requests per year issuing 1,000 vouchers but also help support bids for funding and provide expert advice. We also worked up the Community Energy Champions project with Warm Wales using the FRESH mapping data and visits. No contract was put in place for the trial but we are meeting Warm Wales next week to draft a contract and KPIs for the continuation of this project throughout 2019.

With the Community Energy Champions trial, we started with a basis that Value for Money would be provided if we saw a 2:1 ration of customer savings versus our investment. To date we have seen a ratio of 3.2:1. Further work will be done in the New Year to assess the wider Social Return on Investment for this project as well as the fuel poor scheme and our CO awareness / alarms. If our proposals to continue and widen this project into GD2 are accepted and funded by Ofgem we will tender this project to ensure Value for Money.

The other partnerships we have with Care and Repair, Fire and Rescue Services, Speakeasy, Centre for Sustainable Energy are not contracted. We have identified these partners through stakeholder workshops and events. They share our values and are trusted organisations that have access to priority groups of customers and are funded to work with them. We ask them to help spread our CO awareness messages, issue CO monitors, and sign up households to the PSR. We do not pay them any fee but train their agents and case workers. We also issue them a Partners Pack and require a form to be returned when they have provided one or more of our services so we can track numbers, location and effectiveness of the relationship.

Should you have anything further you wish to discuss, please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink, appearing to read 'Sarah Hopkins', written in a cursive style.

Sarah Hopkins  
People & Engagement Director  
Wales & West Utilities

## Appendices

a) Please see attached '[5a – CSO](#)' for the business case paper that was created for the implementation of the Customer Support Officers role. We now have 9 CSOs. Although there is no cost benefit case as such, there will be some measurable costs in terms of reduced calls to the office, less complaints to manage, but most of the benefits are less tangible. These include; productivity of the teams on site, earlier completion of works leading to less disruption to the travelling public, protection of vulnerable customers and added value through community engagement and work in schools to promote gas safety messages. We will be undertaking work in the New Year to measure the social return on investment of the CSOs and our other work with vulnerable customers and our CO awareness.

b) Please see all attachments that begin with 5b for each area that was summarised in the papers.

[5b – Carbon Monoxide feedback](#)

[5b – Customer Service feedback](#)

[5b – Fuel Poverty feedback](#)

[5b – Network Connections feedback](#)

[5b – Partnerships Collaborations feedback](#)

[5b – Priority Vulnerable Customers feedback](#)

c) We will aim to use comparative data when it is available.

d) Breakdown of PSR sign ups;

HL breakdown of overall PSR stats		
Source	# of referrals	% of referrals
WWU	5321	60.08%
Events	150	1.69%
Partners	2048	23.13%
Other	1337	15.10%
Total	8856	100%

'Other' has been included as a referral source in the above table as we did not capture this information on the master spreadsheet when we first started doing the referrals in 2015. This figure also includes PSR leaflets as we have no way of determining where these came from as they are left with customers on site, at events, and sent to friends and family members through colleagues of WWU.

HL breakdown of 2018 stats		
Source	# of referrals	% of referrals
WWU	2039	58.47%
Events	10	0.29%
Partners	1341	38.46%
Other	97	2.78%
Total	3487	100%

'Other' has been included as a referral source as we have no way of determining where the returned PSR leaflets are coming from or how the customers heard about us. These leaflets are left with customers on site, at events, and sent to friends and family members through colleagues of WWU.

e) Please see attached [5e – Stakeholders vs partners](#). Out of 65 companies who attended our regional workshops, 5 are official partners (highlighted in green) 7.69 % and we are liaising with 2 others (highlighted in orange) about working together to provide better social outcomes for those in fuel poverty and/or vulnerable situations

Our current partners include:

Warm Wales  
Speakeasy  
Centre of Sustainable Energy (CSE)  
6/7 Fire and Rescue Services  
Care & Repair  
Age Cymru

f) If there were no heating restrictions, there has been the potential for many fuel poor connections.

We have established that we have around 60,000 homes within 23m of our mains not connected. Taking an average between wales and the south west of 15% of homes in fuel poverty then 9,000 of these could have been connected under the current Ofgem Fuel Poor Network Extension Scheme definition. In addition, a number of small and medium projects to connect homes further than 23m from the network would have become feasible.

We have been undertaking an innovation project and used the Severn Wye Energy area as a case study. This has mapped off gas properties within 500m with SAP ratings and proxies for fuel poverty. This shows a potential 3,697 properties that could be connected in that area (covering 7 councils) whereas funding is only available for around 800 properties.

g) A meeting is being scheduled for the sub group to meet with Impact Utilities in January.

h) We have noted that the fuel poor contacts or partnership packs have no KPIs associated with them other than around retention of records. We will consider what KPIs are appropriate and what needs to be formalised in these contracts.

i) Breakdown of GSOPs 1 and 2;



Performance against 24 hour standard 94.1%

Time off gas	Number of customers
24-48 hours	487
48-72 hours	37
72 hours to 96 hours	25

Worst cases:

5 Flat Torquay - 11 days

5 flats Langland Bay, Swansea 5 days

4 flats Torbay – 5 days

Alternative heating and cooking was offered and the GS1 payments (£48 per day now we have doubled the payments voluntarily) were made to these customers, but no additional services were requested or offered.

The flats in Langland Bay Swansea are £500k plus flats which are largely second homes and that the residents went to their other properties during the interruption.

In each case, the renew of leaking riser pipes needed to be assessed and designed, and then approved by the residents and building owners. The renewal itself required scaffolding / lift platforms, welding works and relevant permits.

## **GS2 Reinstatement**

Performance against 5 day standard for 2017/18 97.9%

The majority of cases where this was exceeded were down to administrative errors of the works either not passed to the reinstatement contractor or incorrectly specified.

In a small number of cases, the requirement for specialist materials meant the job exceeded the 5 days.

# RESULTS.

Fuel Poor off-gas grid properties with low EPC rating (lower than D) and high overall priority (1 or 2).



Extrapolating this across the network indicates we have at least 20,000 homes within 500m of the mains that could be funded.

If there was funding for the heating system then that would also allow other funding to be put towards the gas connection by the customer on top of the fuel poor allowance which would then bring a number of connections in the band 500m to 2km from our network into the feasible pot.

Total potential 50,000 homes

### Case study:

Llysfaen, Conwy

6km of mains to serve an area of 650 off gas fuel poor homes.

£4k contribution per home required for the gas mains and services

FPNES funding £2,230

Balance 1,770

Welsh Government Arbed and National Grid Warm Homes fund to cover heating system and balance of the infrastructure costs

250 homes signed up to date prompting full tender of works with expectations of up to 400 connections

j) Please see below the breakdown of complaints by root causes.

Rank	Complaint Root cause	Count	% of Total Complaints
1	Broken communication	173	11%
2	Lack of communication	144	9%
3	Delay in restoring supply	126	8%
4	Left without gas	125	8%
5	Damage to property	98	6%
6	Unhappy with work carried out	97	6%
7	Delay in completion of works	77	5%
8	Dissatisfied with information received	70	5%
9	Poor standard of work	51	3%
10	Staff attitude/behaviour/conduct	50	3%

Rank	Theme	Count	% of Total Complaints
1	Communication	461	30%
2	Length of time taken to complete work	369	24%
3	Quality of work	361	24%
4	Damage to property	103	7%
5	Objection to WWU policy	72	5%
6	Cost of works	64	4%
7	Reinstatement	48	3%
8	Broken appointment	42	3%
9	Other	7	0%
10	I.T. System failure	4	0%

Theme	Count	% of Total Complaints
<b>Connections</b>		
Communication	113	7%
Quality of work	66	4%
Cost of works	58	4%
Length of time taken to complete work	55	4%
Broken appointment	19	1%
Damage to property	18	1%
Objection to WWU policy	13	1%
Reinstatement	8	1%
I.T. System failure	4	0%
Other	1	0%
Connections Total	355	23%

Emergency	Count	% of Total Complaints
Length of time taken to complete work	69	5%
Quality of work	68	4%

Communication	48	3%
Damage to property	14	1%
Objection to WWU policy	9	1%
Broken appointment	8	1%
Cost of works	2	0%
Reinstatement	1	0%
Emergency Total	219	14%

<b>Network/Asset</b>		
Quality of work	2	0%
Communication	1	0%
Length of time taken to complete work	1	0%
Network Total	4	0%

<b>Office</b>		
Communication	38	2%
Objection to WWU policy	6	0%
Broken appointment	3	0%
Damage to property	2	0%
Length of time taken to complete work	1	0%
Cost of works	1	0%
Office Total	51	3%

<b>R&amp;R</b>		
Length of time taken to complete work	57	4%
Communication	39	3%
Quality of work	29	2%
Damage to property	12	1%
Reinstatement	7	0%
Other	3	0%
Broken appointment	3	0%
Cost of works	2	0%
Objection to WWU policy	2	0%
R&R Total	154	10%

<b>Replacement</b>		
Communication	222	15%
Quality of work	196	13%
Length of time taken to complete work	186	12%
Damage to property	57	4%
Objection to WWU policy	42	3%
Reinstatement	32	2%
Broken appointment	9	1%
Other	3	0%
Cost of works	1	0%

Replacement Total	748	49%
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<b>TTI Comments Feedback July &amp; August 2018</b>	
Excellent all round	38
Poor communication	7
Unhappy with process	3
Keeping to appointments	2
Poor reinstatement	2
Damage to property	1
Site tidiness	1
<b>Grand Total</b>	<b>54</b>

# CEG challenge letter to WWU – December 2018

## **CONFIDENTIAL**

Sarah Hopkins  
People and Engagement Director  
Wales and West Utilities

20/12/2018

### **CEG Challenges December 2018**

Dear Sarah,

On behalf of the Customer Engagement Group (CEG) we would like to feedback to you our 'challenges' following on from our meeting on the 19<sup>th</sup> of December.

#### **Innovation**

There was much to admire both in the presentation and analysis of the Innovation section of the Business Plan, in particular the use of general 'lessons learnt' methodology (an activity we have sought in other areas), the approach to business planning and engagement with customers. There was general discussion about 'the Golden Thread' concept whereby the preferences of customers/stakeholders are linked to outcomes and can be measured in outputs. The challenge is to use the generic learning methodology and the golden thread concept to deliver what the customer requires in all areas of the business. We are not clear that this is happening.

Much of the innovation seems to be of a technical nature and some of the softer links around the social side of customer service don't seem to figure. Customer engagement and communications seem not to have a profile. Indeed, we felt Innovation needed to run through the whole plan rather than be a single chapter.

A minor issue – in drafting plans (inevitably at this stage) we would like Place Holders (square brackets) to be used to indicate that data or conclusions may change.

Specifically, in relation to the sources of funds for innovative work CEG thought that early liaison with relevant partners to help with funding would improve success. Also, public affairs activity appears to be centred on Ofgem and Welsh Government and we thought that approaches to Westminster re the south west of England should also be considered.

We have raised the issue of Risk previously but it came into sharper focus at this meeting when we discussed the issues of cybersecurity and whether funding for research/implementation was available. Is it possible for CEG to see the WWU Risk Register? Again, should risk assessment run through the whole plan?

## **Future of Energy**

This is a challenging and uncertain area of consideration with major implications for customers and stakeholders and the environment, where technical solutions cost and customer views are likely to collide. We had hoped that the discussion the evening before the meeting would paint a picture of a long-term strategy but many members thought that this wasn't achieved.

The CEG is concerned that WWU seem focussed on 'Whole Energy Systems', which includes gas (possibly of different types) and heat pumps without detailed consideration of alternative solutions. There was no context for the decision. Clearly the Cornwall project (decarbonisation by electrification) was a useful pointer but it would have been useful to model a part of WWU systems using different approaches. This would allow WWU to compare costs to customers, how people adjust to different possible changes and, indeed, have they any interest in decarbonisation under different scenarios? Also, we understand that the development of alternative gas types, e.g. hydrogen, require pathways for disposal of carbon which are not easily available to WWU.

## **General**

Can we see the slides Lucy put together for customer service week that was mentioned in the meeting?

Can we see the 'pathfinder' outputs slide that Graham mentioned?

At an earlier meeting we shared with you a list of questions we would like addressed. The perception is that this is not happening and it would be good if WWU could use these as a background to our discussions.

Professor Phil Bowen has provided a range of publications and organisations (see below) which might help to put 'Whole Energy Systems' into the context of other proposals. It would be really good if we could put some estimate of cost and customer appetite on each of the possibilities.

Yours sincerely,

*Mike Brooker*  
(CEG Chair)

## Appendices

E-mail content from Phil Bowen:

Concerning my comments yesterday that there is considerably more evidence out in the open literature that needs to be analysed in terms of the Future of Energy. We should CHALLENGE WWU to digest these external sources, and use them as evidence to develop their business case.

There are three, very reputable sources that I recommend:

- (i) **UK Energy Research Centre (UKERC)** has been in existence for about 12 years, and was set up to act as a conduit from UK research through to government/policy. You will on occasion see in the media their Director, Prof. Jim Watson, commenting on recent developments in Energy policy in particular. The 2016 report on Future of UK Gas <http://www.ukerc.ac.uk/publications/the-future-role-of-natural-gas-in-the-uk.html> which is not very optimistic for gas future i.e. pro electrification! It cannot be easily ignored (picking up Graham's comments) given their reputation and (relative) independence.
- (ii) **UK Carbon Capture and Storage Centre (UK-CCS)**, led by Professor Jon Gibbins (Sheffield Uni). The UK recognised centre for CCS. We are part of and support them in terms of the potential of CCUS in Wales. <https://ukccsrc.ac.uk/>
- (iii) **Centre for Integrated Renewable Energy Generation and Supply (CIREGS)**, based at Cardiff led by Professors Jianzhong Wu and Nick Jenkins, and part of Cardiff University 'Energy Systems' Research Institute (ESURI)

Concerning (iii) our CIREGS group at Cardiff led by Wu and Jenkins, they also run a multi-vector model ('CGEN') – analogous to WWUs 'Pathfinder' model, but of course has the advantage of being independent of WWU - to give regional/national temporal projects into the future to 2050 (under given scenarios of course). The UK Energy Systems Catapult claim that Cardiff's CGEN model is the only one in UK that currently models Gas, Electricity and HEAT in a multivector way. See video from one of our current projects (FLEXIS) involving CIREGS colleagues <http://www.flexis.wales/demonstration-area/> in the Neath/Port Talbot region and with TATA. WWU (Steve Edwards) are on our project advisory board. We need to CHALLENGE WWU on what they are doing about modelling potential HEAT networks in the context of multi-vector systems in the future e.g. do they intend upgrading their Pathfinder model or buying in expertise? (I note that the other OFGEM challenge group have asked them to expand and explain their input assumptions to Pathfinder.)

I have collated a diverse sample of references below, then the web site of the group that I think WWU (Bethan et al.) should review to see what other references could assist in their positioning for Future Energy. This will help build/justify their case, as most of their current conclusions and assessments are based on their own internal code, 'Pathfinder', or subjective statements e.g. on electrification vs. gas.



The other thing I should re-emphasise after yesterday, is that this group at Cardiff are an outstanding asset for Wales and the region (I would say that wouldn't I, but based on following evidence) ....

In the past few months, Professor Jiangzhong Wu (Toshiba Professor in Multi-Vector Energy Systems) has been appointed:

- (a) UK Energy Research Centre (UKERC) co-Director (responsible for 'Heat')
- (b) UK Research and Innovation (UKRI) Energy Systems HUB co-Director (responsible for multi-vector energy systems)

This puts Wales at the West region at the heart of UK research-> policy in multivector systems with a particular focus on heat.

WWU should use this regional asset to the full, whilst maintaining their good relationships with other leaders in this field (e.g. Goran Strbac at Imperial College).

The following are sample publications I've pulled out from a treasure-trove of information and analysis, that I think we should CHALLENGE WWU to take into account in their analysis and conclusions. Many more publications of potential use can be found at <https://www.cardiff.ac.uk/people/view/364392-jenkins-nick>

but I've just selected a few related to what came up in discussion yesterday: Of course, some publications will support WWUs current business case draft, others will challenge it.

I've copied fellow CEG members on as they may find a few of references of interest and relevance.

Heinen, [S.et al.](#) 2017. [Unleashing the flexibility of gas: innovating gas systems to meet the electricity system's flexibility requirements](#). IEEE Power & Energy Magazine 15(1), pp. 16-24. ([10.1109/MPE.2016.2621838](#))

Chaudry, [M.et al.](#) 2015. [Uncertainties in decarbonising heat in the UK](#). Energy Policy 87, pp. 623-640. ([10.1016/j.enpol.2015.07.019](#))

Qadrdan, [M.et al.](#) 2015. [Impact of transition to a low carbon power system on the GB gas network](#). Applied Energy 151, pp. 1-12. ([10.1016/j.apenergy.2015.04.056](#))

Qadrdan, [M.et al.](#) 2015. [Role of power-to-gas in an integrated gas and electricity system in Great Britain](#). International Journal of Hydrogen Energy 40(17), pp. 5763-5775.

Qadrdan, [M.et al.](#) 2014. [Operating strategies for a GB integrated gas and electricity network considering the uncertainty in wind power forecasts](#). IEEE Transactions on Sustainable Energy 5(1), pp. 128-138. ([10.1109/TSTE.2013.2274818](#))

Baruah, P. [J.et al.](#) 2014. [Energy system impacts from heat and transport electrification](#). Proceedings of the Institution of Civil Engineers - Energy 167(3), pp. 139-151. ([10.1680/ener.14.00008](#))

Pirouti, [M.et](#) al. 2015. [Minimisation of the capital costs and energy usage in a district heating network](#). Proceedings of the Institution of Mechanical Engineers, Part A: Journal of Power and Energy 229(3), pp. 337-347. ([10.1177/0957650914563816](#))

Olanrewaju, O. [T.et](#) al. 2015. [Vulnerability assessment of the European natural gas supply](#). Proceedings of the Institution of Civil Engineers - Energy 168(1), pp. 5-15.

## WWU response to CEG – December 2018

### **CONFIDENTIAL**

FAO Mike Brooker  
Customer Engagement Group Chair

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17/01/2019

Dear Mike,

Many thanks for your letter outlining the key challenges and clarifications that arose from the 4th meeting of the CEG on the 19<sup>th</sup> of December.

Please see the following responses to each point outlined in your letter.

### **Innovation**

The question posed regarding the use of innovation learning methodology was one that we have not considered previously but one that I consider we should review as it certainly has possibilities to take our service to the next level. I have already raised this suggestion with the Customer Service management team and it will be a topic of discussion at our next Customer Steering Group to review the innovation process and review whether we could utilise directly in the customer space.

Alongside this letter you will also be in receipt of the draft Business Plan and you will have the opportunity to review the way we have presented Innovation as part of each chapter. Whilst this draft has been recently reviewed by our strategy and Exec team, the CEG will not have the feedback that has been provided following this draft but we will be keen to understand whether you think this link and messaging comes across strongly enough. We already want to review whether we have provided a strong enough message that our key strategic challenges can be/are being met by innovation and how we expect to respond to these challenges. As above we also plan to reconsider whether our plan is clear enough in outcomes provided to customers as a result of innovation.

With regards to the placeholders that have been requested, we will include these in our next version of the Business Plan.

Innovation funds come from three areas; Regional (Wales only), UK (south west & Wales) and Europe (south west & Wales). We are meeting with the local representative for Innovate UK, Jon Wood, to understand how we can potentially

attract wider sources of funds for projects. We are building on existing relationships with Welsh Government, Innovate UK & European representatives to improve success. This will be included as a placeholder in the next draft of the Business Plan. In terms of Public Affairs – we have historically found it harder to establish relationships at Westminster, but over the last 18 months we have invested significant time in this area to create opportunities to meet with key MP's and Advisors. This has been supported by the appointment of Public Affairs advisors Cicero (formerly Westbourne) and our increasing profile in the specific area of the Future of Energy.

We have a comprehensive Business Risk Register which is reviewed regularly under the guardianship of our Head of Internal Audit. We can share our top ten risks with you at the next meeting if the agenda allows, or separately if not.

## **Future of Energy**

We are currently working with the other networks to launch a decarbonisation Pathways Project via the Energy Networks Association. This provides a longer term strategy in terms of actions to be taken or supported by gas networks to deliver UK decarbonisation across a number of sectors and via a number of different methods. A slide showing key focus areas is provided.

Our strategy is threefold:

We have examined the main options from a consumer perspective – Bridgend ability to pay; Cornwall Energy Island; Swansea pathfinder case study – conclusion – hybrids offer the lowest cost and disruption to consumers.

Our vision is to use the limited quantity of green gas, alongside wind to decarbonise heat using Freedom technology across most of our region, with hydrogen dealing with the big demand from large cities and big industry.

Alongside U.K Power Networks (UKPN) and Scottish and Southern Electricity Networks (SSEN) (Green City Vision) we are designing what this looks like and the pathway to deliver it.

We have been comparing the costs to our customers and how people adjust to different possible changes and if they have an interest in decarbonisation as part of our Green City Vision Project based in Swindon, in which two Distribution Network Operators (DNOs) (UKPN and SSEN) are partners. The projects are not yet concluded but results should be available early in 2019 and will be shared with the CEG.

## **General**

Please see attached slide deck [‘Innovating for the customer’](#).

Please see attached slide [‘Pathfinder Outputs’](#)

Each Business Plan Chapter owner is currently cross checking their sections with your questions to ensure that all questions are answered, if a question has not been answered then a reason shall be given by the owner as to why.

Bethan Winter will be meeting with Phil today (17<sup>th</sup> Jan) to further discuss the appendix in your December letter.

Should you have anything further you wish to discuss, please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink, appearing to read 'Sarah Hopkins'.

Sarah Hopkins  
People & Engagement Director  
Wales & West Utilities

# CEG challenge letter to WWU – January 2019

## **CONFIDENTIAL**

Sarah Hopkins  
People and Engagement Director  
Wales and West Utilities

28/01/2019

### **CEG Challenges January 2019**

Dear Sarah,

I summarise below the principal challenges highlighted at our Customer Engagement Group (CEG) meeting on 24<sup>th</sup> January 2019. This focussed principally on Cost Efficiency and Investment but does include some aspects drawn from the early draft of Wales and West Utilities Business Plan.

#### **Investment.**

There is no indication that the Investment Plan has considered the distributional impact on different segments of the 'domestic customer' base, such as current versus future customers, different domestic groups or regional effects. Does your customer engagement give the opportunity to assess any such impacts?

Your Critical Friends Panel indicated that you were missing out on Black and Minority Ethnic groups (page 36 Business Plan (BP)). How are you addressing this?

Can you show what the investment plan would look like if you kept the customer bill steady or if you lowered the bill and what would that look like for customer outcomes?

In the Investment programme there is £15m allocated to Future of Energy. What is this to be spent on and how is it scheduled?

#### **Cost Efficiency**

Can you explain more the details of emergency call-out, especially in rural areas, and the incentives and actions to reduce the cost?

Can we see the Oxera report on efficiency and give some indication of their expertise and reputation?

In 'Opex Table 8' of the papers for the day 'other costs' were £13m- what are these costs and why are they so relatively high?

Regarding the FSB relationship this would appear to be at an early stage with potential to develop but is not yet well established. Though there are positive

indications (e.g. sponsoring FSB Awards) there is no real connection with FSB at the moment. Does the same apply to other organisations?

The General Data Protection Regulation (GDPR) and other data issues present a very significant risk to the company. How is it dealt with? On a wider issue relating to Risk Management we have sought to examine the company's Risk register to no avail?

Generally, CEG is missing the outcomes of 'you said' but 'what did you do'. The Table on page 129 of BP gives a summary of performance but doesn't indicate what action was taken in relation to the data. Do you plan to follow through on your 'you said' 'we did' promise?

Page 29 of the BP talks about co-creation but there's no evidence of that. Can we see the strategy that was reviewed by the Board (page 31 of BP, section 4.1)?

Is it possible to attach actual costs, where possible, to the handout that Neil (Henson) circulated?

Yours sincerely,

*Mike Brooker*

(CEG Chair)

## WWU response to CEG – January 2019

### **CONFIDENTIAL**

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13/02/2019

Dear Mike,

Many thanks for your letter outlining the key challenges and clarifications that arose from the 5th meeting of the Customer Engagement Group on the 24<sup>th</sup> January.

Please see the following responses to each point outlined in your letter.

### **1. Investment**

The deep dive engagement workshops that we are planning on a number of areas, includes investment planning, and we will include as broad a customer demographic as possible to assess all needs. Here, whilst we aim to make sure that we are addressing a very broad customer base we plan to also relate feedback to specific regions to enable us to identify differences in regional responses.

We consider all investment on our current asset base using Cost Benefit Analysis (CBA) tools. These help us consider benefit of investment over the short and long term in terms of safety, reliability and environment thus considering the value to todays and tomorrows customers.

We have invested in risk management tools, data and data scientists which have helped us develop models that enable a clear link from investment to customer outcomes. These assessments are at a very granular level so we understand the impact every individual asset has on customers.

For example, we can assess the impact of replacing a pressure reduction station on the reliability and safety levels of the actual consumers it would impact. We can forecast the benefit of the investment over time in terms of future reliability and safety.

These tools help us to design an investment plan that delivers the stakeholder driven outcome of a safe and reliable network at lowest whole life cost

We have recognised further improvement suggested by CEG to consider vulnerability of customers at the asset management investment planning stage, not just when actually delivering work. This is not currently in our modelling but we have



started to develop data sets to support this analysis. Our intention is that this will be in place to influence the December BP submission.

Our connections plan is based on research into each Local Authority development plan. We have interrogated all 46 LAs in our region. Our plan for new connections reflects the housing requirements for each LA in our geography.

We have an aspiration to maximise Fuel Poor connections and our stakeholder feedback supports. The forecast numbers reflect the ability to make connections in the current rules around fuel poor. We will continue to look for better ways to fund fuel poor connections through partnerships.

As part of phase two of our engagement we have reviewed the census data which relates to our geography and specified that an appropriate level of BAME representation is included in the customer and SME workshops held to inform the research questionnaire. and the deep-dive workshops. This applies equally to the consumer questionnaire for which the questions have already been provided to the CEG engagement 'sub group' and this is due to be tested from 16<sup>th</sup> February.

From a day to day engagement perspective, we have started to explore how we can best engage with representation organisations to initially provide information on gas safety and then continue the conversation on other topics of interest. Organisations we are in the process of contacting include: Women Connect First in Cardiff, Oasis (an organisation for refugees and asylum seekers, Ethnic Youth Support Team in Swansea, Black South West Network, Bristol Commission for Race Equality, and Polish and Portuguese community organisations in Wrexham. Clearly this is not a definitive list and is being developed using information available on ethnicity statistics from gov.uk.

The investment plan is predominantly capex so a reduction in total spend has a limited impact in consumer bills within a year as the money is recovered over 45 years.

For example, an extreme reduction in investment spend of £50m per annum (1/3) would only reduce a customer bill by:  
25m/2.5m customers and then further divided by 45years equalling just 45pence per annum in a circa £120 bill

We do however look at varying investment options. For example, mains replacement has a positive Net Present Value (NPV) and the RIIO-GD2 plan pays back by 2037. By reducing the programme by 100km, the actual cost to consumer's increases above any savings in the year 2032 as the increased Opex for leakage and repair outweighs the reduced capex. There is also a significant increase in environmental emissions and safety risk. In addition, we would be unable to demonstrate compliance with the Pipeline Safety Regulations. In this example we have discounted this option.

We will discuss in further detail the £15m allocation to Future of Energy during the next CEG meeting on the 20<sup>th</sup> February.

## Cost Efficiency

The emergency service process provides a 24/7 service for 365 days a year and has to be able to respond to a public reported gas escape anywhere in WWU geography regardless of whether its mains gas or not within 1 hour of receiving the call to the UK centralised emergency call centre where the escape is uncontrolled.

To optimise performance we use a mix of work patterns to cover the hours of the day when the peak number of gas emergencies are reported and Standby and call out to cover when the calls normally diminish in the evening, overnight and early morning. This allows WWU to use the optimum number of staff.

*The process of optimising the workforce starts with understanding the demand.*

WWU has built a detailed modelling system which looks at the workload profile of the previous 4 years emergency work and provides a forecast of the expected workload split down to 20 geographic patches within the network, this is split by workload type, by season, by day and by hour.

The output provides the emergency demand for each area and is uploaded into a piece of software from a company called Working Time Solutions. This software analyses the data and provides us with the optimum number of First Call Operatives (FCO's) we require within each patch and the most efficient legal working pattern to meet the demand. Every pattern has to be compliant with the working time regulations and provides adequate fatigue management. To allow us to flexibly change shift patterns we introduced the '2012 agreement' which was a change to industrial employees' terms and conditions but enabled us to make savings on overtime and shift premiums by changing the patterns.

The table below shows the current patches and the number of FCO's including the number of different rotas in operation per patch to achieve the standard of service license obligation.

Patch	FCOs in working pattern	Number of Rotas	Comments
Bristol	28	1	Workpattern until supported by standby major urban area
Gloucestershire	20	2	Workpattern and Standby covers forest of dean
Bath Wiltshire	14	2	Workpattern and standby 60km Across patch
Swindon North Wilts	12	1	Workpattern until supported by standby good motorway links
Newport Ebbw Vale	20	3	Workpattern until supported by standby Valleys create long travel times
Cardiff	21	1	Workpattern until supported by standby good motorway links
Valleys	20	3	Workpattern until supported by standby Valleys create long travel times
Swansea	20	3	Workpattern and Standby covers Swansea and rural area
West Wales	8	2	Workpattern and Standby covers massive area west of Swansea inc Haverford west and west coast
Cornwall	12	3	Workpattern and Standby covers massive area covers all of Cornwall, Major problems with travel during holiday season
Plymouth	16	1	Workpattern until supported by standby largely urban
Devon	18	2	Workpattern until supported by North Devon has its own rota
Somerset	18	3	
Torquay	11	1	Workpattern and Standby covers mostly urban area , Major problems with travel during holiday season
Snowdonia	18	4	Workpattern and Standby covers massive area covers including flint Colwyn bay down to Aberystwyth poor road links no motorway
Wrexham & mid Wales	16	3	Workpattern and Standby covers Wrexham and then the large rural area of Mid wales.

We have a very large geography and many areas where the population is sparse, and whilst the number of emergency calls received in these areas is low, the one hour standard still applies, so there is an inconsistency between workload and resource requirements. This can conflict with the cost efficiency work and there is a level of resource required regardless of the workload and we compare this to a 'fire service', where we have resources waiting in case of an escape across the network/geography.

Where this happens, we use a number of ways of utilising the FCO's this includes training to undertake other duties which require minimal training and have flexible completion dates (If required to leave and return after an emergency to complete) such as survey activities, asset integrity painting and pipeline protection work. We've also trained a number of our operational staff who work in other work streams as 'first responders' who can at times of very high workload, or when a FCO in a rural area such as Cornwall is stuck in traffic, can attend to undertake priority action like ensuring the gas is turned off, windows are open, naked flames extinguished etc. whilst waiting for an FCO to attend. They can also identify any vulnerability and take action to support the customer. This process allows us to keep down the number of FCO's we would require.

Other work we utilise FCOs on is 3<sup>rd</sup> party (Non formula) Meterwork, this work requires us to change gas meters or replace them while attending a gas escape, both of these have a benefit for the customer, firstly we can identify any issues including condition on our pipework and secondly the customer does not have to wait in an emergency situation for the supplier to attend to change the meter, FCO's also carry out standalone meter work for shippers (battery exchange, conversion to smart meters etc). We also utilise FCO's on mains replacement work carrying our purge and relights for customers and not having to pay our Alliance contractors to carry out this work.

The placeholder which mentioned a consultancy paper on cost efficiency is currently being reviewed in draft form, we are happy to share this document once we have final draft in April 2019. Oxera are a highly respected Economic advisor and have worked in utility regulation extensively. They are currently advising in the PR19 water price control and have worked in Gas and Electricity during GDPCR1 and RIIO-GD1, with both companies and regulators.

Please see link to their website to find out more;

<https://www.oxera.com/sectors/energy/>

The other costs section within Opex is categorised as per Ofgem's definition, this includes the below;

Streetworks costs including permitry and inspections (Circa £1-£2m pa)

Xoserve costs (Circa £5m)

Bad debt

Compensation costs

Price control team and external spend costs (Circa £0.6m)

Major incidents (Can vary depending on incidents)

Tools and consumables (£2m)

Odorant costs (£0.8m)  
Interruptible contracts  
Some small asset maintenance (Non specific)

In GD1 other costs equate to 10% of opex and in GD2 12% of opex, the main movement is an increase in streetworks costs between price controls as highway authorities adopt permitry and council charges increase.

For further information on Ofgem cost categorisation please see the annual Ofgem Regulatory instructions and guidance at the following link:

[https://www.ofgem.gov.uk/system/files/docs/2018/04/rrio-gd1\\_gas\\_distribution\\_rigs\\_version\\_5.0.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/04/rrio-gd1_gas_distribution_rigs_version_5.0.pdf)

The majority of our partnerships are well established - we pursue a strategy of continual development with our partners to best serve our joint customers. Partnerships take time to establish and in terms of the partnership we are establishing with the FSB, this is in its infancy. To address the specific question, you raised on regarding the FBS Partnership we have identified below the areas we suggested would be mutually supportive at the commencement of the partnership and outline how they have progressed – or not, in the table found in the attachment labelled [‘FSB further information’](#).

Once our partnership is more firmly established and we have more contacts across the FSB movement in contact with our colleagues across our region, we will look to further develop in other areas where we can be mutually supportive.

We have developed a series of partnerships with Fire & Rescue Services across our area and other organisations to support our social obligations agenda. We have been developing these over a number of years and have included an appendix of information on these partnerships with detail on outputs and outcomes, together with quotes from some partners.

We are currently creating a new tool that will enable us to evaluate potential organisations with whom we could form partnerships to help us reach hard to reach stakeholders and customers and will be rolling out its use from the March 2019. We have sought help from SIA partners to develop some comprehensive tools, processes and governance to improve the way we can effectively manage partnerships and effective reporting on outputs and outcomes for customers. This is also due for roll-out in March 2019.

You will find attached a working document called [‘Partnerships Evaluation’](#) which will provide you with further in depth information on our other partners and the work we have done with them to date, whether this has been successful and or has drawn to a close.

We prepared an overview of our risk register with you for the last meeting, but time did not allow for it to be presented and discussed. A session has now been added to the next CEG agenda in order to discuss this with our Head of Internal Audit, Mark

Owen. Regarding the comment relating to GDPR – this has been an area of high focus for us, under the guidance of our Legal Counsel.

As previously discussed, we are planning to incorporate the 'you said, we did' into our next version of the Business Plan.

The reference to the 'co-created' elements of the Business Plan refer to the planned engagement within phase 2. Our Stakeholder Engagement Strategy, as at April 2018, has been shared with you. It is important to note that a root and branch review of our strategy, tools and processes is underway and will be completed by March 2019, and we plan to have this scrutinized by our Critical Friends Panel as well as signed off by our Executive Team.

Regarding the further detail on the impact of the GD2 package, this will be discussed further at the February CEG meeting.

Should you have anything further you wish to discuss, please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink, appearing to read 'Sarah Hopkins', written in a cursive style.

Sarah Hopkins  
People & Engagement Director  
Wales & West Utilities

# CEG challenge letter to WWU – February 2019

## **CONFIDENTIAL**

Sarah Hopkins  
People and Engagement Director  
Wales and West Utilities

22/02/2019

### **CEG Challenges February 2019**

Dear Sarah,

I summarise below the principal challenges identified at our Customer Engagement Group (CEG) meeting on 20 February 2019.

#### **Future of Energy.**

A significant budget (£15.5m pa) has been allocated for the GD2 including Capex and Operating costs. Can this be justified more clearly, both quantity and timing, especially in the light of the general uncertainty over future strategy for decarbonisation?

Are the other networks installing compressors in the context of Future of Energy?

Can you please share a simple written explanation of the charging policy mentioned in the FoE Investment summary section of the paper?

Please explain how you think you can use flexible connections and demand side response during GD2, and how you will learn from other networks including electricity, to improve uptake.

#### **Totex.**

Can CEG have a breakdown and phasing and purpose of the additional GD2 costs for controllable opex and for repex? Also, can you give us a breakdown of the age and type of the vehicle fleet and likely ongoing costs. And also, any requirements you foresee for further support for the pension fund?

#### **Repex.**

Can you provide a comparison of GD1 mains replacement (unit costs and pipe diameters) with GD2 proposals?

**Efficiency.**

We understand the target for this has been increased from 0.5% to 1.5% (but still significantly below GD1). Can you breakdown the bases of these efficiencies and compare with GD1?

**RPE.**

Can you share with us the justification for your estimate of a target of 1% pa?

**Competition.**

Can you indicate and quantify where you plan to seek competitive forces in GD2 which are likely to benefit unit costs and /or unregulated income?

**Bills.**

Have WWU had early feedback (phase 2 customer studies) on customer (by type) views on their bill now and proposed? Do customers identify any aspects of the service which they may be prepared to see decreases or indeed increases in bills?

If in GD2, WWU are raising costs in the bill which will lead to cost savings, should this not be the responsibility of the shareholders to carry the risk if these lead to outperformance?

We would like to see projected bill impacts for GD2, and an assessment of how certain or uncertain the components of the GD2 bill are.

**Resilience and Risk.**

It was difficult to assess, other than in general terms the Risk Register that was presented to CEG. Would it be possible to have a copy to assess, in detail, the principal risks facing the company so we can judge preparedness?

**Interruptions to Supply.**

Would it be possible to see data on interruptions to supply for the GD1 period and compared with targets for the GD2 plan? (Please breakdown planned and unplanned interruptions, as well as those that were due to third party damage).

**Business Plan.**

We have collated some preliminary views on the early draft of your Business Plan (Vol 1) and will provide these separately. However, in the light of the similar work progressing in the Water Sector are you undertaking a 'lessons learnt' exercise to inform your next BP draft?

## **General**

Could we see a copy of the Accent proposal on GSOPs once you have received the final version?

Yours sincerely,

*Mike Brooker*

(CEG Chair)



## WWU response to CEG – February 2019

### **CONFIDENTIAL**

FAO Mike Brooker  
Customer Engagement Group Chair

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13/03/2019

Dear Mike,

Many thanks for your letter outlining the key challenges and clarifications that arose from the 6th meeting of the Customer Engagement Group on the 20<sup>th</sup> February.

Please see the following responses to each point outlined in your letter.

### **Future of Energy.**

The £15 million was an early estimate based on our initial forecasts of new investment in storage £2.5 mpa and compression £12.5 mpa which might be required based on the growth of flexible generation (requiring storage) and green gas (requiring compression) over the period. We are currently undertaking far more detailed work in this area as shown in the February CEG paper. This includes a Regional FES (Future Energy Scenario) forecasting project with Regen which will help us understand the likely location of growth of sites at a far more regional level and the Optinet Project which is looking at optimising use of storage and compression together to deliver capacity.

We have not had sight of detailed forecasts from other networks regarding installing compressors, but we understand that provision of significant quantities of entry capacity in the absence of compression is likely to be an issue in many areas. Cadent are a partner in our Optinet project.

Please see the following in response to the explanation of the charging methodology.

#### **3.3.1 Reinforcement for System Exit connections capacity**

WWU develops its network against one, five and ten year planning horizons. Loads will be analysed based on the expected connection date and for the one year horizon will be assessed against the system constraints in the next winter period.

Reinforcement required to enable the connection of identified new consumers, or to permit an increase in flow rate in respect of an existing consumer is known as Specific Reinforcement. WWU attributes the cost of Specific Reinforcement according to its location in relation to the Connection Charging Point.

- Specific Reinforcement downstream of the Connection Charging Point is fully chargeable to the customer.
- Specific reinforcement upstream of the charging point will be chargeable to the customer unless it passes the Economic Test.

The Connection Charging Point (CCP) is the closest economically feasible<sup>2</sup> point considering any customer request for gas to be made available at a particular pressure) on the WWU system, which is deemed to have enough capacity to supply the new load disregarding existing loads. The Charging Point creates the financial distinction between connection costs, that are fully chargeable to the person concerned and upstream reinforcement costs, which may be funded by WWU subject to any contractual requirements.

## **Economic test**

### **4.1 Introduction**

The Economic Test is a financial assessment tool that is designed to ensure WWU meets its Gas Act obligations to develop and maintain an efficient and economical pipeline system for the conveyance of gas (Gas Act, section 9(1) (a)) and to comply with any reasonable request to connect to its system any premises or any pipeline system operated by an authorised transporter (Gas Act, section 9(1) (b))

The Economic Test is used to identify new requests for capacity where the level of investment would be considered 'uneconomic', and so avoids existing WWU customers subsidising the new firm load.

The Economic Test compares the cost of system reinforcement required to take on the new load with the additional transportation revenue from the load net of the additional operating costs of accommodating the new load. The annual transportation revenue and operating costs are capitalised over the agreed appraisal period at the rate of return allowed in the Price Control. Where the additional reinforcement cost is greater than the capitalised net transportation revenue the net transportation revenue will not provide the allowed rate of return on the investment. To avoid this deficit being recovered by increased charges to other customers, the customer is requested to pay a contribution towards the cost of the reinforcement. This contribution will be equal to the excess of the costs associated with the new load over the capitalised net transportation revenue.

In the case of an entry connection (green gas) there is no additional transportation income and therefore the economic test will not give any allowed contribution towards the reinforcement of the network to facilitate gas entry connections.

We already include terms for flexibility in a number of our agreements with flexible generators where investment would have been required to deliver their needs at or near a peak demand day. In addition, a number of our green gas sites already have contracts with a guaranteed lower entry capacity and a higher level of capacity which they can use when it is available.

D) During last year's auction for interruptible services we didn't receive a single offer for interruption and in this year's process we are reviewing our communications methods to encourage participation. We are engaging with DNOs through a number of projects and working groups, including the open networks project:

<http://www.energynetworks.org/electricity/futures/open-networks-project/> and will continue to adopt best practice where there are synergies between vectors.

However, in recent bilateral meetings with key sites which are held as part of our long term planning processes the feedback continues to be that reliability is our customers' key priority. We are also learning that existing customers are increasing their use of gas for onsite generation, including via CHP to avoid the use of the electricity network at peak times.

## Totex

We will share with you our detailed table for breakdown of costs and phasing of December BP numbers.

Please see below, a breakdown of the age and type of the vehicle fleet and likely ongoing costs.

Vehicle category	Make	Fleet age (In years)									Total
		1	2	3	4	5	6	7	8	9	
01. Team Vehicle	FORD	27	6	75	104	44	123	22	1	1	403
	PEUGEOT	0	0	0	0	0	0	1	0	0	1
	VOLKSWAGEN	0	0	1	0	0	0	0	0	0	1
02. Tipper	FORD	43	0	0	11	20	11	1	1	0	87
	VAUXHALL	0	35	19	0	0	0	0	0	0	54
03. Support Vehicle	FORD	101	15	23	3	6	0	0	2	0	150
	MITSUBISHI	0	0	0	3	1	0	27	0	0	31
	NISSAN	0	0	0	0	0	0	1	0	0	1
	PEUGEOT	0	0	0	9	71	59	30	0	0	169
	VAUXHALL	0	8	26	0	0	0	0	0	0	34
	VOLVO	1	0	0	0	0	0	0	0	0	1
06. HGV	MAN	0	0	0	0	0	8	0	0	0	8
	MERCEDES-BENZ	2	1	20	0	0	0	0	0	0	23
06. Core & Vacuum	CORE & VACUUM	2	0	0	0	0	0	0	0	0	2
<b>Total</b>		<b>176</b>	<b>65</b>	<b>164</b>	<b>130</b>	<b>142</b>	<b>201</b>	<b>82</b>	<b>4</b>	<b>1</b>	<b>965</b>

Ongoing costs for the vehicles are detailed below – this is an average year in 18/19 prices.

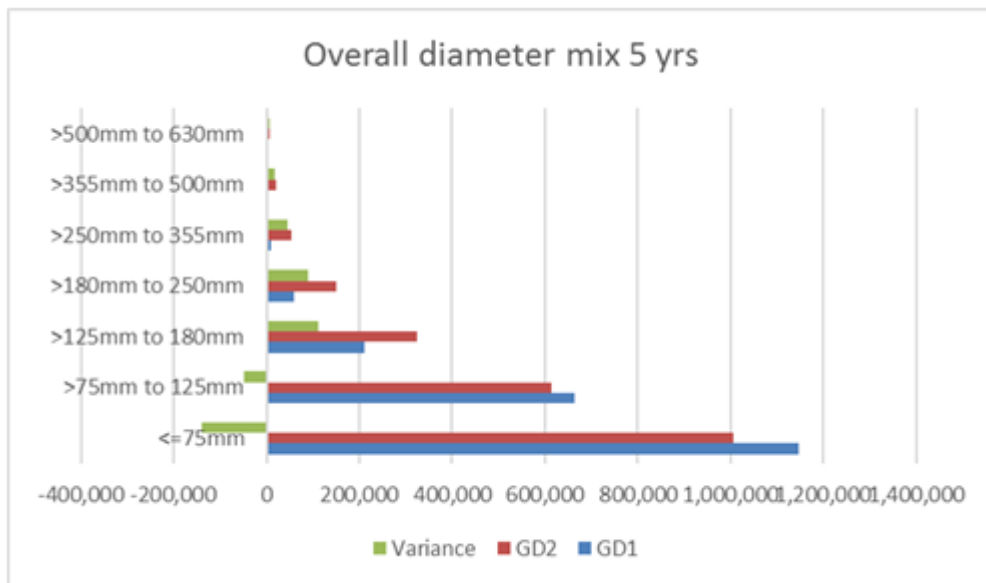
<b>Annual average spend - GD2 - 18/19 prices</b>	<b>Total £m</b>
Vehicle Management Fees	0.4
Contracted Vehicle Maintenance	1.9
Fuel	3.5
Telematic Vehicle Tracking	0.2
Non Contracted Vehicle Maintenance	0.6
Drivers Wages	0.0
Vehicle Hire	0.2
Plant Hire & Maintenance	0.6
Mobile Plant Fuel	0.0
<b>Transport and Plant</b>	<b>7.4</b>

In response to your questions on the requirements we foresee for further support on the pension fund, the current Ofgem license states the established deficit at 31<sup>st</sup> March 2013 is fully funded and any future costs (RIIO-GD1 onwards) for pension are subject to the Totex allowance process.

### Repex

Based on December BP please find below comparisons and analysis of GD1 mains replacement with GD2 proposals.

Below shows the diameter mix comparison for a 5 year view 2013-14 – 2017-18 versus 2021-22 – 2025-26.



Summary per diameter of Km's for the same 5 year period comparison.

	GD1	GD2	Variance
<=75mm	1,146,753	1,006,122	-140,631
>75mm to 125mm	663,596	615,129	-48,467
>125mm to 180mm	210,424	323,102	112,678
>180mm to 250mm	58,492	149,029	90,536
>250mm to 355mm	9,637	54,943	45,305
>355mm to 500mm	2,470	21,112	18,642
>500mm to 630mm	14	6,122	6,108

Below shows a comparison of the costs for RIIO-GD2 costs for mains replacement in 18/19 prices using both the 17/18 Ofgem reported unit costs and the 'bottom up' approach being used for RIIO-GD2.

At Cost Efficiency review (1m reported)								
(£mil)	2022	2023	2024	2025	2026	Total	RIIO-GD2 average	
GD2 using 17-18 rates	86.04	86.04	86.04	86.04	86.04	430.18	86.04	
GD2 forecast (Dec 18 V2)	87.08	82.88	84.55	85.79	86.76	427.06	85.41	
Difference	-	1.04	3.16	1.48	0.24	- 0.72	3.12	0.62

## Efficiency

The current BP costs from December were a first view of 0.5% for efficiency. We have not increased anything in our plan currently until the work on our estimated view of efficiency is completed with our independent consultants Oxera and a collaborative piece of work with all GDNs by First economics. The 1.5% came from a conversation we had on the current Ofwat proposal for PR19 of efficiency which is specific to water.

## RPE

The current BP costs from December were a first view of 1%. This was based on the historical assumption made at RIIO-GD1 by Ofgem. Ofgem are currently consulting on linking RPEs to an index, we are working to help support Ofgem on selecting the most relevant indices for the Gas networks.

## Competition

Competition has been added to the March agenda and a paper has been written as part of your pre- reading and a session has been added to the agenda where we can discuss competition in more detail.

## Bills

We have not yet received any early results from phase 2- however we will be receiving a report of the headline results on this research which includes the responses to the co-created questionnaire sent to 1,000 stakeholders, and the deep-dive workshops on sustainability, innovation, future of energy and repex/monetised risk on 22<sup>nd</sup> March, with a video presentation to follow from Impact Utilities. The full report will be available week commencing 1<sup>st</sup> April, with presentation to be arranged following that.

For information, on the same date we will have a presentation of the headline results of our vulnerability deep dive research undertaken by Mindset. The full report with case studies will be available on 29<sup>th</sup> March.

We will submit totex forecasts to deliver RIIO 2 outputs required. We agree we carry operational risk. Totex will be based on our view of costs and we are

undertaking an external piece of work that will identify the level of efficiency challenge.

We have taken CEG through the building blocks of the customer bill. We are still in the process of responding to the Ofgem consultation and also engaging with the Ofgem senior finance team. Many aspects of the bill for GD2 are still under discussion. As soon as we have a clearer view we will share what we have with CEG.

## **Resilience and Risk**

We will share these with you at the March meeting. You'll recall that the register records the key corporate risks with inherent and residual risk scores for each respective risk, along with approximate target scores as well.

## **Interruptions to Supply**

We have prepared an interruptions paper as part of your pre- reading for the March meeting which covers our data on interruptions to supply.

## **Business Plan**

Given the obvious read across between water and energy regulation, we have been engaged with a number of water companies to share the learning between PR19 and RII02 since the end of 2017. We are continuing this and once the resubmissions of the water companies are submitted in April 2019 we have an open door to go back into the three water companies we have been working with to review the lessons learnt.

In advance of this, however, we have reviewed the Ofwat publications following the initial business plan assessment and we are in receipt of a number of independent consultant reviews – all of which is helpful in understanding the lessons learnt in water.

We thought it would be useful to provide a summary of our engagement to date with the water companies: -

### Welsh Water

**Regulation** - We have met with the DCWW regulation team on three occasions sharing learning around the regulatory process, the principles of regulation, the financing elements as well as business plan develop

**Customer Engagement** - We have separately met with the customer engagement team at four different stages along their PR19 journey to understand their customer engagement planned, phases, focus, results, analysis and learning

**Joint working** - In addition, we have jointly hosted a 'Stronger Together' conference which brought all partners in wales together to better understand vulnerability and to join up the utilities approach which includes ongoing sharing of data about priority customers

## Bristol Water

**Regulation** – we have met with the regulation team on three occasions to share learning on the CMA, Ofwat developments (their Dir of Reg is ex-Ofwat so offers valuable insight) as well as individual elements of the business planning process including technical regulation, programme planning and business plan writing.

**Customer Engagement** - Sarah Williams was part of the BW stakeholder group to review their 2050 vision and then subsequently to review their PR19 Business Plan – there was mutual benefit here which included sharing of engagement best practice.

**Joint working** – we have supported the new BW ‘Social contract’ initiative which is a key part of their PR19 BP and as a result we are now planning a South West ‘Stronger Together’ conference on the back of the success of the Welsh conference

## Northumbrian Water

**Regulation** – as our sister company, we have full access to the PR19 team and we regularly share experiences. CKI organise an annual conference in Hong Kong which designed to share knowledge and skills as well as ideas and best practice – we’ve used this opportunity to help shape our process and our business plan. We also share consultancy reports which assess the more technical aspects of regulation. We had a PR19 BP lessons learnt workshop planned with Northumbrian Water for 6 March 2019 however this will be rearranged now given the additional work required in the resubmission of their BP.

**Customer Engagement** - we have had two discussions to understand the planning, process, activities, results and learning of their customer engagement programme which has supported the development of our own customer engagement programme. In addition, we are currently in discussion with the organisation NWG used in the design of their BP following their recommendation and we are likely to use this experienced design house to support WWU.

**Joint working** – Given we are geographically far apart that makes joint working a challenge. However, we have had the benefit of being to appoint the NWG lead business plan author into our team at WWU for 18 months, we also have appointed the author of the NWG CCG report into our business plan writing team on a short term contract initially. Both individuals have great experience with Ofwat and utilities; their learning and best practice is proving invaluable to WWU.

## Other engagement

A consultancy firm called ‘Complete strategy’ undertook a full review of all the outputs and incentives within water to enable WWU to do a comparison and share best practice

We have also attended sessions with economic consultants and water companies on Ofwat PR19 proposals and next steps on evidencing issues and cost assessment. This included a Q&A with senior Ofwat members, this gave us a direction on BP assumptions and areas of focus for our written BP document.

## General

We are awaiting the final version of the Accent proposal, once we have this we will circulate it with you.

Should you have anything further you wish to discuss, please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink, appearing to read 'Sarah Hopkins'.

Sarah Hopkins  
People & Engagement Director  
Wales & West Utilities



# CEG challenge letter – March 2019

## **CONFIDENTIAL**

Sarah Hopkins  
People and Engagement Director  
Wales and West Utilities

22/03/2019

### **CEG Challenges March 2019**

Dear Sarah,

I summarise below the principal challenges identified at our Customer Engagement Group (CEG) meeting on 20 March 2019.

#### **Workforce resilience**

Could you give a clearer view of the company workforce strategy?

The model you have established with EU skills - is it being tested against extreme scenarios and against best in class?

You say that there is a tough market place regarding staff retention and costs. What innovative approaches have you taken to overcome these issues?

Can you use BAME resources or other segments and support and train them and at the same time make a community contribution? Are there targets for diversity; what are you doing to develop resilience in a diverse society?

Can you clarify what your proposed targets are and why they are stretching enough?

Where can you innovate in managing mature employees for a more flexible and less abrupt transition, e.g. new work patterns (part time, seasonal, remote expertise)?

How do you currently measure effectiveness and efficiency? What analysis have you done of the effectiveness of your current strategy and how is it changing for RIIO-2?

#### **Sustainability**

There seems to be uncertainty about place and content of your Sustainability chapter and there didn't seem to be a clear picture of your long-term strategy. The term does mean different things to different people but what does it mean to WWU?

Could you use this as the thread throughout the whole plan?

We weren't convinced that just using Skipton Building Society as a 'good' benchmark was sufficient. The main thing you seemed to take from their strategy was how they conveyed their strategy – not what was in it. Can you identify other best in class examples in terms of content of sustainability strategies?

Could you use a balanced scorecard to record your performance here for the Board?

We touched upon 'environmental' impact in the discussion and the role of WWU. What are the key impacts you are seeking to avoid, what are the targets and how does it fit into the wider sustainability vision?

What governance do you envisage to sit around this sustainability strategy? E.g. will anyone on your Board be a champion for sustainability? Will people's pay be partially linked to performance on this strategy?

On social sustainability, could you define what role you think WWU has in the community beyond your day to day activities? What outcomes do you want to achieve, or which negative outcomes do you want to avoid?

Please justify your targets and expenditure. Why are these stretching targets? Why is this efficient expenditure?

### **Stakeholder Engagement (update).**

This is a key element in focusing the Business Plan and we all recognise there is important information yet to be unveiled until commissioned work is completed.

### **Interruptions**

Unplanned interruptions – generally these are only reported during 'waking' hours which suggests that there could be significant loss of gas at other times. Is there a way of estimating this and is it likely to contribute materially to calculated losses?

A general point regarding comparative data illustrated by the presentation of WWU performance which is compared against the 'average' for the industry. Should all comparisons indicate performance against the best in class?

On interruptions specifically what is your ambition?

### **Competition**

You indicate that you are undertaking a 'substantial programme of market testing of all operational activities, and where appropriate, (our) back office activities representing a procured value in the order of around £100m pa'. When will the results be available and how will they inform the GD2 Business Plan?

You indicate that you have a performance scorecard for use in procurement. Can CEG see this scorecard?

This chapter did not cover whether your social obligations delivery partners are best value for money. We would like to see more evidence of how you select your delivery partners, how you measure their effectiveness, how you ensure they deliver value for money.

Yours sincerely,

*Mike Brooker*  
(CEG Chair)

## WWU response to CEG – March 2019

### **CONFIDENTIAL**

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08/04/2019

Dear Mike,

Many thanks for your letter outlining the key challenges and clarifications that arose from the 7th meeting of the Customer Engagement Group on the 20<sup>th</sup> March.

Please see the following responses to each point outlined in your letter.

### **1. Workforce Resilience**

The business plan chapter which will be provided to the CEG on the 8<sup>th</sup> of May will fully outline our workforce resilience strategy.

The EU Skills workforce planning model is pan sector and is used by all members of EU Skills as part of their workforce planning, this includes the majority of utility companies from the gas, electricity, water and waste sectors. This model has been used in support of price control submissions across the sector since 2008. The model is extremely flexible and looks at the external environment including, supply of skills, labour market intelligence and benchmarking (inside and outside) of sector and company specific workforce and workload data, and allows comparing of different scenarios and prediction of a comprehensive resource plan.

With regards to staff retention, the external market is driving cost pressures and a higher turnover rate. This is particularly prevalent in our replacement activity where our contractors are seeing turnover rates as high as 44%. We're working with our contractors and have agreed an approach whereby they are directly employing a larger proportion of their labour rather than the more traditional sub-contracting model.

We use established internal groups including the Young Persons Network and Trade Union forums to test our employer offering and evolve it in line with colleague needs, helping us in our goal of being an employer of choice. This in conjunction with competitive and benchmarked employment packages has contributed to our employee turnover consistently falling below the UK average, although it is slowly rising over time.

**D/E)** We are working with a number of BAME representative groups to make better links and share, not only employment opportunities, but also important gas safety messages. The feedback received from these stakeholders to date has been that our job opportunities would be deemed to be non-traditional routes for their communities. We're continuing to work alongside these stakeholders (African Centre for Entrepreneurship, African Voices Forum, Women's Connect), and create new relationships where we have gaps, in this area. We are also part of the Diversity and Inclusion Cross Sector Working Group which is hosted by EU Skills which is considering strategies and approaches for all members. You can find our agreed sector commitment and pledge here; <https://www.euskills.co.uk/the-sectors-inclusion-commitment/>

We don't currently have diversity targets and it is not our intention to create absolute targets for GD2. However, we are working extensively with the other GDNs and EU Skills to establish appropriate and consistent targets for improvement. Our joint proposals were submitted as a response to the March consultation document by EU Skills and were outlined in brief in the summary paper provided to CEG in March.

As well as our ongoing work with BAME communities we are working with the Career Transition Partnership for the Armed Forces, Business In The Community (BITC) and Careers Wales, and we've also worked previously with the Prison Service, to reach and attract different pools of potential recruits. This includes chairing a BITC Wales leadership group on Veterans Employment and a Careers Wales / BITC Business Class Cluster which brings together 6 schools and 6 local businesses in the Newport area to discuss matters relating to schools and business partnerships.

**F)** During GD1 we have trialled/ explored some options for more mature employees in their lead up to retirement, this includes;

- Part time working
- Reduction in standby participation
- Redeployment to less manual work

Additionally, we have trialled/ explored retirees returning in a mentoring and training capacity and supporting local standby rotas to reduce the requirement for full time labour. As colleagues decide to work longer, beyond traditional retirement ages we see these options becoming more widely discussed and taken up. We're also reviewing options relating to multi skilling and cross flexing to make operations in more remote areas more resilient and flexible.

**G)** There are a number of clear measures in place for our workforce both from a customer/ safety perspective and those relating to productivity. Please can you be more specific on your requirements to understand effectiveness and efficiency? We have taken several opportunities within GD1 to externally benchmark our operations and back office activities. In advance of GD2 we have benchmarked several of our functions; HR & training, procurement & finance which ImprovIT supported us on and facilities & property which Cushman Wakefield have supported us on. Their findings were that in all these activities we were efficient.

## **Sustainability**

As discussed at the March CEG, we are still discussing and developing our sustainability strategy. We would like to thank the CEG for their feedback and challenges that will help us shape and define this. For the May version of the Business Plan, we have decided to submit a standalone Environment strategy in place of the Sustainability chapter discussed in March and we will provide a further update to the CEG in respect of our direction, strategy and planned governance in this area.

The key 'environmental' impacts of our business are considered to be our business carbon footprint and use/reuse of natural resources. However, we feel we have a duty to try and tackle other environmental issues that are significant to our consumers/stakeholder; where small improvements we can achieve, through planned, efficient and effective management, will contribute to a wider environmental benefit.

The main business carbon footprint targets for GD2 are:

Reducing shrinkage by 10% (against 2021 target value (427,000 tCO<sub>2</sub>)) by proactively managing system pressures and replacing 435km pipe and 20,000 services pa.

Reducing non-operation travel by 5% (against 2021 target value (18,000 tCO<sub>2</sub>))

At least 75% of company cars being hybrid or ultra low emission vehicles.

The main use/re-use of natural resources targets for GD2 are:

Increase recycled aggregate use to greater than [TBC]%.  
Sending less than [TBC]% total spoil to landfill.

Ensure PE waste does not exceed 5%.

Reducing Office waste by 10% with a long-term aspiration of being a 0% waste to landfill business.

Reducing paper use in Offices by 50% with a long term aspiration of being a paperless office.

Reducing paper use in Offices by 50% with a long term aspiration of being a paperless office.

Delivering 85 land management outputs (contaminated land sites), through effective management and removal of risk removal.

Other environmental areas include:

### **Air Quality**

Establishing robust air quality metric around our emissions to ensure we drive improvement into the future.

Plan all street works with due regard to vulnerable customers limiting the impact we have on local air quality.

Reducing nitrogen oxide (NO<sub>x</sub>), carbon monoxide (CO), hydrocarbons (THC and NMHC) and particulate matter (PM) emissions by making a further ([TBC] number of commercial fleet vehicles) EuroVI compliant.

## **Biodiversity**

Establish a robust biodiversity metric to apply to the business with the long-term goal of establishing biodiversity net gain.

All our environmental targets are underpinned by our Environmental Management System; we are committed to maintaining and continually improving our ISO 14001 EMS and have set ourselves the target within GD2 maintaining our no 'major nonconformities' record.

The environmental targets that we have focussed upon address specific areas where we feel we can be impactful and we recognise that making sustainable choices can have a wider positive impact on human health, economics and ecosystem services at a local and national level.

**H)** We are proud of our environmental record and review our main areas of impact on monthly basis and share that within the wider business. We are committed to continual improvement taking advantage of innovation where possible. However, we must weigh the targets against the delivery of a safe and reliable gas network and the views of our stakeholders. We are not afraid to fail and have set our targets at a level that will challenge our business operations. Additionally, we have identified emerging environmental issues and have committed ourselves to understanding our environmental impact and take steps to improve.

When reviewing our environmental impact, we acknowledged that taking steps to alter and improve our internal business behaviours was a priority. This allows us to create change without burdening our consumers with excessive costs and deliver change where employees are enabled to make more positive environmental choices outside of work environment.

The mains replacement programme and the land management programme contribute the most significant costs to the environment strategy.

We replace on average 440km of mains per annum in GD1 and forecast a similar workload in GD2. Approximately 85% of the mains replaced are mandated by the HSE so whilst they contribute to our environmental performance on leakage, this is not the primary driver.

The remaining 15% are justified using Cost Benefit Analysis (CBA). The primary benefits considered are avoided Opex costs associated with network repairs and the environmental impact of gas lost to atmosphere.

There is a common shrinkage/leakage model used by all GDNs to calculate gas losses through transportation. We use this model to forecast the amount of gas to atmosphere avoided by replacing gas pipes. This calculation is specific to the pipe being assessed. We then use the BEIS cost of carbon values to monetise the societal benefit and we use this in the CBA.

## **Land Management**

We have responsibility for circa 167 former gas production sites and the associated potential risk to human health, controlled waters and the environment. Failure to manage these sites can have a significant impact on local communities.

We have a duty of care under environmental legislation (Part IIA of the Environmental Protection Act 1990) to ensure our sites do not pose a significant risk of significant harm to human health and controlled waters (surface and groundwater bodies). Failure to appropriately manage our land assets could result in the outlay of significant financial costs and regulatory enforcement/penalties. In GD1, we took a proactive approach to land management of former, contaminated, gasworks sites and committed to 86 outputs, significantly reducing the risk of our contaminated land portfolio.

Our contaminated land portfolio will continue to pose a risk to stakeholders and customers; existing risk, degradation of assets and potential changes to vulnerable receptors require continual management and risk reduction interventions.

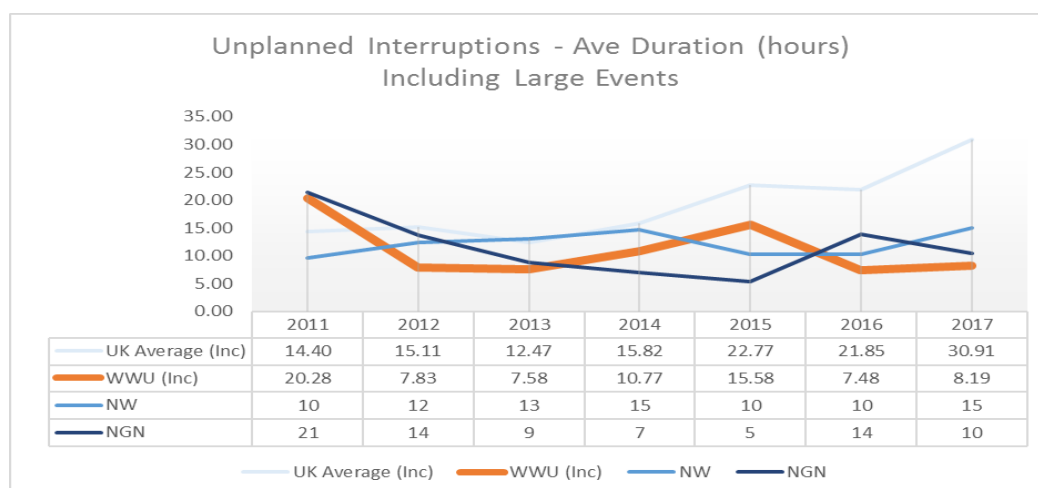
## Interruptions

Unplanned interruptions generally relate to steels services being cut off and relayed in plastic – this accounts for 94% of our interruptions. When we are notified of a gas escape on our mains, we respond by carrying out a repair on the main itself, typically by repairing a leaking joint or installing repair fittings onto the main. In the majority of cases, mains repairs do not result in a supply interruption – the repairs are carried out “live”.

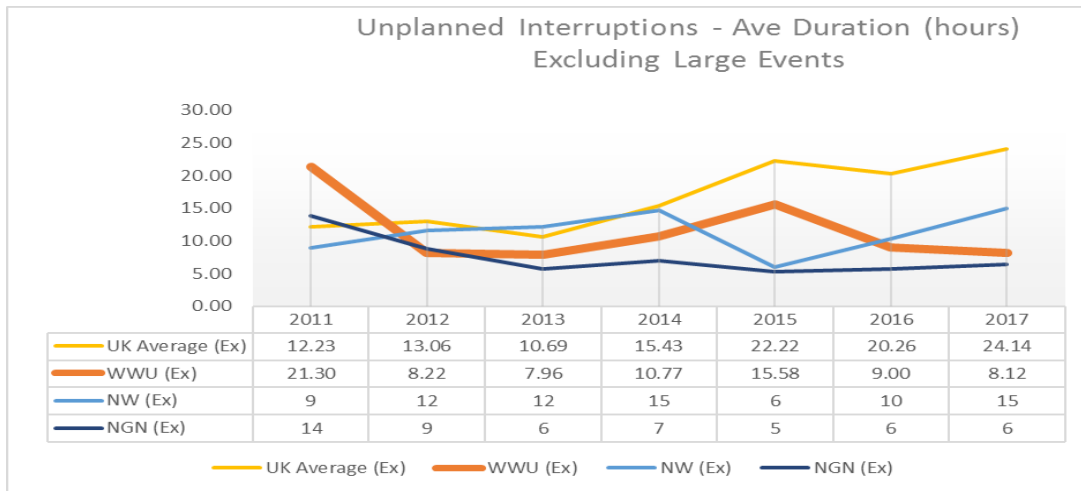
Our overall “shrinkage” rate is 0.5% of our total throughput, which equates to 350 GWh of energy. The leakage associated with services is 13.3% of this total or 46 GWh. If we assume that leakage occurs evenly over a 24 hour period, then potentially the opportunity to report an escape isn’t possible during an average of 8 “sleeping hours”. Therefore approximately 15 GWh gas losses can be inferred during sleeping hours (4.3% of the total leakage)

However, it is worth noting that many of the interruptions are from miniscule volumes of gas escaping at customers properties (inside and outside). The odorant that we add to natural gas must by law (GSMR regs) be a “suitable stenching agent”, meaning that very very small amounts of gas are detectable.

This question seems to be a general point; however, the below graphs show WWU performance for unplanned interruptions compared to “best in class”.







Ofgem have not published their decision document yet. The actual measure will be known once this is published. There is still an ongoing discussion via a specific working group (chaired by Ofgem) to determine how the measures will be formed and what data will be required to support them. We are also waiting on feedback from our customers to determine how important they see this measure.

## Competition

Every year the WWU Procurement team deliver against a rolling 18 month plan – the plan is usually circa 80 events. The event referred to will not conclude in time to inform the GD2 business plan. We will be carrying out this significant exercise in 2020 (pre-market engagement in 2019). The scope is currently being determined. The timelines are partly driven by the WGA contract ending in April 2021.

See below example of the procurement scorecard. Scorecards are not used for all suppliers, just for strategic suppliers in each category – e.g. PE Pipe and Fittings.

## SUPPLIER PERFORMANCE SCORECARD

<b>EVALUATOR</b>	<b>EVALUATED SUPPLIER:</b> [enter name]	
	<b>DATE OF REVIEW:</b> [dd/mm/yyyy]	
	<b>STAKEHOLDER:</b> <i>(person responsible for managing contract)</i>	Name: Role: Dept:
	<b>SUPPLIER PERFORMANCE SCORECARD &amp; OUTCOME</b>	<b>SCORE</b> <b>OUTCOME OF PERFORMANCE</b>

<b>MAX:</b>	<b>SUPPLIER PERFORMANCE CRITERIA SCORECARD</b>	<b>SCORECARD</b>
20	QUALITY	0
0	COST	0
60	SERVICE	0
20	INNOVATION / CUSTOMER	0
100	<b>TOTAL</b>	<b>0</b>

**RESET BUTTON**  
[Click to reset scores]

<b>QUALITY</b>	<b>RATING ELEMENT</b>	<b>RATING</b>	<b>WEIGHT</b>	<b>WEIGHT</b>	<b>SCORE</b>
	Product to Specification?				0
	Product Fit for Purpose?				0
	Product packaging?				0
	Accuracy of deliveries?				0
<b>SUB TOTAL</b>					<b>0</b>

<b>SERVICE</b>	<b>RATING ELEMENT</b>	<b>RATING</b>	<b>WEIGHT</b>	<b>WEIGHT</b>	<b>SCORE</b>
	On Time Delivery?				0
	Responsiveness to issues?				0
	Willingness to correct issues?				0
	Invoicing accuracy?				0
<b>SUB TOTAL</b>					<b>0</b>

<b>COSTRISK</b>	<b>RATING ELEMENT</b>	<b>RATING</b>	<b>WEIGHT</b>	<b>WEIGHT</b>	<b>SCORE</b>
	Price Competitiveness?				0
	On Budget?				0
	Insurance in Place?				0
	HSE Compliance?				0
<b>SUB TOTAL</b>					<b>0</b>

<b>INNOVATION / CUSTOMER</b>	<b>RATING ELEMENT</b>	<b>RATING</b>	<b>WEIGHT</b>	<b>WEIGHT</b>	<b>SCORE</b>
	Customer focus?				0
	Account management?				0
	Reporting provided?				0
	Delivery of innovation?				0
<b>SUB TOTAL</b>					<b>0</b>

<b>RATING</b>	<b>SCORER RATING ELEMENT</b>
0	Critical Issues in Performance in this element
1	Unacceptable Performance in this element
2	Needs improvement in this element
3	Average performance in this element
4	Above average performance in this element
5	Excellent performance in this element

<b>SCORE</b>	<b>OUT COME OF PERFORMANCE SCORE</b>
0-20	Critical Issues - Contact Procurement
21-40	Issues Exist - Contact Procurement
41-60	Average - Consider remedial action
61-80	Good Performance - monitor / manage
81-100	Excellent Performance - monitor / manage

<b>INNOVATION / CUSTOMER</b>	0
<b>QUALITY</b>	0
<b>COST</b>	0
<b>SERVICE</b>	0
<b>INNOVATION / CUSTOMER</b>	0

<b>EVALUATOR COMMENTS</b>	
<b>QUALITY</b>	
<b>COST</b>	
<b>SERVICE</b>	
<b>INNOVATION / CUSTOMER</b>	

Following on from the CEG challenge we received in November 2018 (4E) regarding the effectiveness of our social obligations delivery partners, we have been working with SIA partners consultants to develop our vulnerability strategy and a number of supporting documents and tools. These will assist us in sourcing new potential partners and evaluate our existing partnerships. You will find attached our [partnership selection tool document](#), following these steps, we will be able to ensure that we are creating partnerships that will provide the best value for our customers. We are currently using the tool to evaluate the propositions we have received relating to a language translation service and a signing service for our hard of hearing customers. Our [partnership evaluation process](#) is helping us to evaluate our existing partnerships to ensure that our partners are delivering value for money, we will make sure that the chosen service option is the optimal, we will evaluate the service against other possible options to confirm that the initial selection provides the most benefit to customers. A Social Return on Investment (SROI) tool has been developed which will allow us to measure direct financial benefit to customers and social benefits across our service options. We will include these updates in the next version of our Business Plan draft.

Kind regards,

A handwritten signature in black ink, appearing to read 'Sarah Hopkins', written in a cursive style.

Sarah Hopkins  
People & Engagement Director  
Wales & West Utilities

# CEG challenge letter to WWU – April 2019

## **CONFIDENTIAL**

Sarah Hopkins  
People and Engagement Director  
Wales and West Utilities

23/04/2019

### **CEG Challenges April 2019**

Dear Sarah,

I summarise below the principal challenges identified at our Customer Engagement Group (CEG) meeting on the 15th April 2019.

#### **Engagement**

Would it not have been better if customers had been asked what WWU could have done to be ambitious and not to have categories which are legally required which WWU know must be done?

Now that the majority of research findings have been received, can you share your plans and process for triangulating the research with previous engagement? Who will be doing this work and how? Would this not also allow chapter writers to tailor their BP contribution to consider this data with best practice and published research to have a fully informed BP?

What are your plans for the continuation of stakeholder engagement in the light of the current process and what is the process for chapter writers to keep abreast of new data for their own chapters whilst understanding implications on other chapters?

We recognise that the PSR is not the answer to 'vulnerability' but it can be of assistance. What are your plans to vigorously pursue the development of this including the much-needed revision of the codes? Have you considered leading a cross-sector approach and/or lobbying for this to happen nationally?

Many of our comments are related to longer term implications rather than BAU. Can you share your plans for gathering the views of 'future generations' on an ongoing basis?

We note than in your Innovation list as shared in your response to the RIIO 2 Challenge Group, none are related directly to customer interface -they all appear to be engineering base. Should thinking change to include some innovation work on customer engagement/education/ behaviour change/ ways of working?

Have you noticed any trade-offs or conflicts emerging from the research?

A note, rather than a challenge, during your next Engagement Update session, we would like to have more of an update on all your engagement, we would like to hear about your current BAU work and not just what's being done for GD2.

Have you thought of, as a mantra in each chapter of the BP, 'this is what we do; this is what the leading business in the sector does; what COULD WE do?'

### **Shrinkage**

What are your plans for working productively with Local Authorities and other relevant organisations to use engineering work to improve urban environments and perhaps encourage more joined up activities to minimise disruptions for communities?

The current measurement of shrinkage seems inadequate. Should you consider taking the lead in lobbying for a better measure?

Is your target of 10% reduction over 5 years challenging enough bearing in mind some of the environmental consideration?

Prioritisation of metal mains replacement in the current plan doesn't seem to align entirely with some customer's views and environment is receiving increased focus. Have you plans to address this?

Have you considered buying Green Gas as a replacement for the leaked gas?

Yours sincerely,

*Mike Brooker*  
(CEG Chair)

## WWU response to CEG – April 2019

### **CONFIDENTIAL**

FAO Mike Brooker  
Customer Engagement Group Chair

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08/05/2019

Dear Mike,

Many thanks for your letter outlining the key challenges and clarifications that arose from the 7th meeting of the Customer Engagement Group on the 15<sup>th</sup> April.

Please see the following responses to each point outlined in your letter.

### **Engagement**

***Would it not have been better if customers had been asked what WWU could have done to be ambitious and not to have categories which are legally required which WWU know must be done?***

In the broader consumer consultation our research partners suggested that educating participants and keeping questions simple and specific should be a priority. In the deeper dive workshops, this was also an underlying principle however, we were clearly able to go into more depth at these sessions and as well as engagement and feedback on the topics and questions we wanted to ask, there were a number of opportunities for participants to give broader feedback and suggestions on their wants and needs for them and their community.

CEG attendees at these sessions will have noted that the workshop facilitators specifically took the opportunity to ask participants for feedback outside of the specific questions and for example in the sustainability session, one of the four key questions were; 'is there anything missing from WWU targets?'.

***Now that the majority of research findings have been received, can you share your plans and process for triangulating the research with previous engagement? Who will be doing this work and how? Would this not also allow chapter writers to tailor their BP contribution to consider this data with best practice and published research to have a fully informed BP?***

In preparing for our RII02 business planning we have engaged extensively with a wide range of stakeholders, gathering their evidence in a variety of ways, and including existing feedback available in the business, together with customer data

and other data sources. To make sure that we are correctly interpreting feedback, weighting it appropriately and drawing the correct conclusions for our RII02 Business Plan, we deem it important to triangulate this evidence – which can expose evidence gaps which will require further exploration. As a first step, triangulation most recently proposed for the water sector for its current price review was examined, and our approach developed from this perspective.

Triangulation of evidence was proposed for use in the water sector, largely due to criticism by water regulator Ofwat of willing to pay research used by water companies to evidence customer preference during their five-year regulatory charging reviews, as the sole means for determining the value that customers place on certain outcomes. Ofwat called for greater consideration of a wider set of methods for informing estimates of customer value. It promoted the idea of triangulating different sources of wider stakeholder feedback, as an alternative to the traditional stated preference research previously favoured, as being a way of gaining more accurate and detailed information on the wants and needs of different customer groups.

The triangulation approach recommended by Ofwat was scoped by ICF Consulting in July 2017, and we have based our approach on these recommendations, having a similar customer base to water utilities. We have adopted a wide research tactic and included 'perceived value' as part of that, and triangulated research feedback from a wide range of stakeholder groups to identify their wants and needs, to help shape our future investment plans.

In our initial review of the data for the May submission of the Business Plan to the CEG, we have noted that feedback from all sources is consistent, nonetheless, given our desire to ensure that we follow this through we are engaging with external experts to complete this process but we expect that this will be done for the autumn submission of the Business Plan.

The triangulation will take a phased approach and give us the opportunity through the summer to spot and fill any gaps with some specific stakeholder engagement. This approach will enable us to make the most of the customer segmentation that has become apparent through our research analysis to date to make sure that we have truly evidenced all customer segmentation groups in a robust way.

***What are your plans for the continuation of stakeholder engagement in the light of the current process and what is the process for chapter writers to keep abreast of new data for their own chapters whilst understanding implications on other chapters?***

During 2019 as we continue to develop and refine the Business Plan for final submission to Ofgem in December, we have some further engagement activities planned including, regional workshops to take place in May 2019 (which you have all been invited to observe) and a 'you said, we did' campaign which will incorporate some specific testing of the proposals we're making e.g. with vulnerable customers and a broader consumer update via social media.

The stakeholder engagement team are responsible for coordinating these engagement activities as well as reviewing new data, reports etc and the regulation team have access to developments and consultation outcomes in the regulatory space. There are formal weekly opportunities for this information to be shared with Business Plan chapter owners to make sure that their chapters continue to evolve between now and final submission.

***We recognise that the PSR is not the answer to ‘vulnerability’ but it can be of assistance. What are your plans to vigorously pursue the development of this including the much-needed revision of the codes? Have you considered leading a cross-sector approach and/or lobbying for this to happen nationally?***

We are already leading on work to align the needs codes for the PSR between gas, electric and water with Richard Pomroy (our Commercial Manager) being the owner of change proposal under the Supply Point Administration Agreement (SPAA).

Alongside this work to implement a common set of needs codes is work to agree how the data will be shared amongst utilities. This should help utilities move towards a virtual common PSR during GD2.

In our Business Plan you will see that one of our commitments is to work towards a common PSR across the UK utilities (gas, electric and water) this has been a key ambition from a range of stakeholder for some years. We recognise that there are many parties to accommodate and engage with so this will not be an easy task. It is our intention to continue the work we’ve already began on data sharing during GD2 and lobby Ofgem and Ofwat in the first instance to gain their support in moving towards a single PSR, hence this is currently a GD3 ambition.

***Many of our comments are related to longer term implications rather than BAU. Can you share your plans for gathering the views of ‘future generations’ on an ongoing basis?***

Following on from our previous workshops we conducted, we will be concentrating on the feedback we have gathered from our research study and consultation, this will help us to target demographic areas. We looked at where they came from (social media etc), and we will use this research to target the next group and put together a programme to follow on from the research we’ve already done.

***We note that in your Innovation list as shared in your response to the RIIO 2 Challenge Group, none are related directly to customer interface -they all appear to be engineering base. Should thinking change to include some innovation work on customer engagement/education/ behaviour change/ ways of working?***

The Innovation list as shared in our response to the RIIO2 Challenge Group was put together to demonstrate how many projects have been implemented into our business as usual, we included a summary of benefit that it had delivered. Where the benefit is financial, this has been included, but we have also included the softer benefits including improvements to customer service/ customer interface focussed, under the heading ‘service’.

In addition, further to your previous challenge (#28, December) in this area, in April at our annual customer service conference an activity was undertaken by the 70 colleagues in attendance to identify a series of customer 'problem statements' which are currently being dispersed out via our innovation channels to seek input from our networks.

***Have you noticed any trade-offs or conflicts emerging from the research?***

We have noticed a number of themes at first glance such as the trade-off between the results of the regional workshops held in 2018 and the Impact Utilities research from the start of 2019 that has been conducted. The regional workshops resulted in the top priorities being a focus on consumer vulnerability, this was not the outcome of the Impact Utilities consumer research where Safety & Reliability feature as the top priorities. We have identified conflicts such as these and are currently looking at assumptions as to why the results differ. We found that many attendees of the workshops were representatives of consumer vulnerability groups. Although the workshops are a key way for us to engage with these hard to reach groups and allow voices to be heard, the results need to be weighted against other research, which will be done through our triangulation process. A difference in knowledge levels has highlighted such conflicts - we'll come back to you on these as more will emerge throughout the triangulation process.

***A note, rather than a challenge, during your next Engagement Update session, we would like to have more of an update on all your engagement, we would like to hear about your current BAU work and not just what's being done for GD2.***

We don't differentiate between our BAU and GD2 work, everything that we've completed informs us about our customers wants and needs for now, and in the future.

For our Stakeholder Engagement Incentive Submission, we are working on a you said, we did summary. We will share the final version with you once it has been completed.

***Have you thought of, as a mantra in each chapter of the BP, 'this is what we do; this is what the leading business in the sector does; what COULD WE do?'***

You will see from our BP V2 that each chapter follows a guideline that covers, our highlights, benchmarking (where possible), stakeholder feedback and our GD2 commitments (what we will do).

## **Shrinkage**

***What are your plans for working productively with Local Authorities and other relevant organisations to use engineering work to improve urban***



***environments and perhaps encourage more joined up activities to minimise disruptions for communities?***

The bulk of our engineering work impacting communities relates to mains and service replacement. There is an established process to engage with Local Authorities at key stages in planning and delivery. This process helps shape the delivery of a project to minimise disruption to road users, pedestrians and residents. We also utilise Local Authority channels to share our plans with other utilities to help co-ordinate works where possible.

Whilst sharing plans in this way has value we believe more can be done. We are exploring bespoke planning groups to reflect regional challenges. We are trialling this in south wales and have created and chair a group including Transport for Wales, Western Power Distribution, Network Rail, Welsh Water and Cardiff Highways. The objective is better sharing of information and improved strategic planning/understanding of operational impact across member organisations. Initial feedback from members is this has great value and we will look to roll this approach out in other regions across our geography.

There is an established process for communicating with residents directly impacted by our activities at key stages of a project. In addition, our local managers and engineers will engage with the people impacted as they deliver our replacement programme. We are constantly looking to improve this engagement and in recent years we have introduced a customer officer role in our organisation. Their primary objective is to understand any specific needs and requirements of those impacted by our works and to ensure those needs are met as we deliver our programmes of work

***The current measurement of shrinkage seems inadequate. Should you consider taking the lead in lobbying for a better measure?***

The bulk of our shrinkage is a result of leakage from our buried metallic mains and services. Our current measurement method is based on decay tests. This is the process of isolating assets to give a controlled test and pressuring to a set pressure. This pressure is monitored over time. Any decay in pressure is converted to a flow rate of gas lost. This process gives a leakage rate for all diameter and material combinations and this is applied to our population of buried mains annually to inform the shrinkage assessment.

This method is generally accepted in the industry as the most sophisticated assessment technique for losses in transportation. In 2017 we completed literature research of other techniques used worldwide but failed to find other methods that were deemed as statistically valid as our approach.

To keep a focus on continually approving the assessment of shrinkage we have a UK Shrinkage Forum. This is facilitated by the Joint Office of Gas Transporters and membership includes GDNs, iGTs and Shippers/Suppliers. The Shrinkage Forum provides an opportunity for the Distribution Network Operators to meet interested

parties in order to discuss LDZ shrinkage and ways to improve accuracy of measurement.

Each year the GDNs produce a plan to review elements of the shrinkage assessment model. This plan is documented and put out to consultation. Following consultation, the plan is agreed and each area has a lead GDN to complete the review.

Minutes of the Shrinkage Forum and the annual plans to review the shrinkage model can all be found on the Joint Office website:

<https://www.gasgovernance.co.uk/index.php/sf>

***Is your target of 10% reduction over 5 years challenging enough bearing in mind some of the environmental consideration?***

There is a level of losses inherent in the gas transportation process. The largest impact on reducing these losses is the mains and service replacement workload. The 10% reduction is primarily driven by the repex length delivered. We target the leakiest mains, diameters and materials where possible but the reduction in shrinkage is largely proportional to the length of main replaced each year. Our plans are for replacement of 435km per annum. This length is determined by HSE requirements, stakeholder feedback and the ability of the market to deliver.

The other key tool in reducing shrinkage is pressure management. We currently operate over 96% of our metallic network with intelligent pressure management systems through investment in previous price controls. There is limited opportunity to improve this situation in GD2 but we are committed to maintaining these pressure management systems and continuing to optimise their use.

***Prioritisation of metal mains replacement in the current plan doesn't seem to align entirely with some customer's views and environment is receiving increased focus. Have you plans to address this?***

There is an element of our mains replacement programme that is driven primarily by the HSE and safety impact. We have asked customers their view on how we should prioritise the remaining mains replacement programme. This focused on whether safety, disruption, environmental impact or reliability should be the priority driver. The feedback has revealed a range of views and as a result, our replacement selection process seeks to give a good balance across all these drivers. The feedback has not resulted in a bias towards environment as a driver. We will continue to engage through GD2 and our plans will evolve to reflect the changing views of our stakeholders.

***Have you considered buying Green Gas as a replacement for the leaked gas?***

Our focus is to be an enabler for green gas connections to our network. We work closely with the green gas community to remove blockers and stimulate interest in

green gas connections. We will commit to reviewing the potential for buying green gas in future and the value of this in promoting green gas connections.

Should you have any further questions or queries, then please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink, appearing to read 'Sarah Hopkins', written in a cursive style.

Sarah Hopkins  
People & Engagement Director  
Wales & West Utilities

## CEG challenge letter May 2019

### **CONFIDENTIAL**

Sarah Hopkins  
People and Engagement Director  
Wales and West Utilities

21/05/2019

### **CEG Challenges May 2019**

Dear Sarah,

Following our meeting on 15<sup>th</sup> of May to consider the May Version of you BP, I am suggesting that we don't issue a formal list of challenges because you are already making changes in preparation for your formal 1st July submission, upon which we will have to make some commentary and itemise our challenges.

Instead we have submitted to you our principal commentary and challenges in an informal note. I trust this is satisfactory to you.

We would appreciate it if after you finalise your July submission you could provide feedback as you did on our challenges from the December version of the BP, either explaining where we will find the response within the BP or justify why this challenge will not be acted on.

Yours sincerely,

*Mike Brooker*  
(CEG Chair)

## WWU response to CEG – May 2019

### **CONFIDENTIAL**

FAO Mike Brooker  
Customer Engagement Group Chair

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12/06/2019

Dear Mike,

Many thanks to all members for taking the time to read our draft version of the business plan, we appreciate the time you've taken to consider and raise your challenges.

We have taken all of your challenges into consideration and as you know are currently finalising our July version of the business plan. You will shortly receive our latest draft version for your consideration along with our updated responses to your challenges in the log. We look forward to meeting with you all again next week.

Should you have any further questions or queries, then please do not hesitate to contact me.

Kind regards,



Sarah Hopkins  
People & Engagement Director  
Wales & West Utilities

# CEG challenge letter – June 2019

## **CONFIDENTIAL**

Sarah Hopkins  
People and Engagement Director  
Wales and West Utilities

19/06/2019

### **CEG Challenges June 2019**

Dear Sarah,

Triangulation, a key to fulfilling customer engagement, and a demonstration of the Social Return on Investment tool were the only items on our agenda from Wales & West Utilities for the June meeting. The requested item on Assets and Costs was removed from the agenda at a late stage. Both of these issues are fundamental to our assessment of progress on the Business Plan and are key to the brief we have received from Ofgem. However, we are well aware of the pressures upon you in delivering the first formal draft of the Business Plan on the 1<sup>st</sup> of July and presume that some of our issues associated with these topics are dealt with in that document. I summarise our challenge below based on the information we have received to date.

#### **Triangulation**

You have described in some detail the methodology that your consultants, Sia Partners and yourselves are using. However, there are no firm data upon which to judge the route to understanding the views of your consumers/customers/stakeholders and the choices that they might want to make. We welcome the 'single source of truth' proposal. Having said that, we have to be clear that the lack of information, other than the description of the base methodology, doesn't allow us to recognize this as a credible outcome as yet. We would like to understand better the analysis undertaken and the methods and detail of weighting of the data before we are likely to see this as a credible assessment of engagement. We would like to see the brief that Sia Partners are working to for the triangulation process, we can then gain an understanding of Wales & West Utilities' priorities and hypothesis.

#### **Social Return on Investment**

More of a comment rather than a challenge. The tool appeared useful to judge the value of initiatives supporting different customer groups. Well presented by Nigel and an interesting tool to be made available for us to see.

We would appreciate if the tool could perhaps be used to look at the Freedom Model perhaps? Costs seem very high so could this possible be run through the SROI tool for analysis?

Yours sincerely,

*Mike Brooker*  
(CEG Chair)

## WWU response to CEG – June 2019

**CONFIDENTIAL**

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Customer Engagement Group Chair

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10/07/2019

Dear Mike,

Many thanks for your letter outlining the key challenges that arose from the 9th meeting of the Customer Engagement Group on the 19<sup>th</sup> June.

As you're aware subsequent to the letter we have arranged for you to meet with colleagues on the 12<sup>th</sup> of July to discuss assets and costs.

Please see the following responses to each point outlined in your letter.

### **Triangulation**

*You have described in some detail the methodology that your consultants, Sia Partners and yourselves are using. However, there are no firm data upon which to judge the route to understanding the views of your consumers/customers/stakeholders and the choices that they might want to make. We welcome the 'single source of truth' proposal. Having said that, we have to be clear that the lack of information, other than the description of the base methodology, doesn't allow us to recognize this as a credible outcome as yet. We would like to understand better the analysis undertaken and the methods and detail of weighting of the data before we are likely to see this as a credible assessment of engagement.*

*We would like to see the brief that Sia Partners are working to for the triangulation process, we can then gain an understanding of Wales & West Utilities' priorities and hypothesis.*

In respect of Triangulation, please see attached a detailed excerpt of the initial letter of engagement with Sia Partners. This outlines the approach we are taking in partnership with Sia, looking at feedback, source data, engagement activities, weighting and representation within the Business Plan. Subsequently we've had several meetings and conversations to refine the scope which has included a detailed explanation of our promises, commitments and outputs from our July Business Plan. As a result we have asked Sia Partners to further support us with a gap analysis of any areas where they deem there to be insufficient evidence or engagement to robustly support our plan.

This will inform areas we need to further explore before the October and December versions of the Business Plan, and will help inform our 'You said, we did' stakeholder engagement which will aim to seek feedback on whether stakeholders feel their views have been represented in our plans.



In addition, we are exploring options and costs for Acceptability Testing with Sia Partners.

## **Social Return on Investment (SROI)**

*We would appreciate if the tool could perhaps be used to look at the Freedom Model perhaps? Costs seem very high so could this possible be run through the SROI tool for analysis?*

### **SROI model - Hybrid Heat systems**

A hybrid system consisting of a gas boiler, wet central heating system and a heat pump offers a potential solution to helping reduce the carbon impact of domestic heating in the future and has been explored via our collaborative Freedom Project.

Typical costs for the heat pump are £6,500 and a new gas boiler and wet system will cost £4-5,000 for a typical house. The Freedom Project Final Report from October 2018 provides a detailed assessment of the technology and the potential benefits to the UK. We are currently working on a report in respect of the financial benefits. Initial assessment indicate that a hybrid system will pay back in 8 years or 3 years with a Renewable Heat Incentive (RHI). The SROI model developed with Sia Partners can then be used to look at the impact to a domestic customer.

### **Social Benefits Assumptions**

Achieving carbon neutrality as a source of electrical generation cannot be guaranteed (we expect that initially coal or gas will be used during winter periods as opposed to renewables, but of course that will change over time).

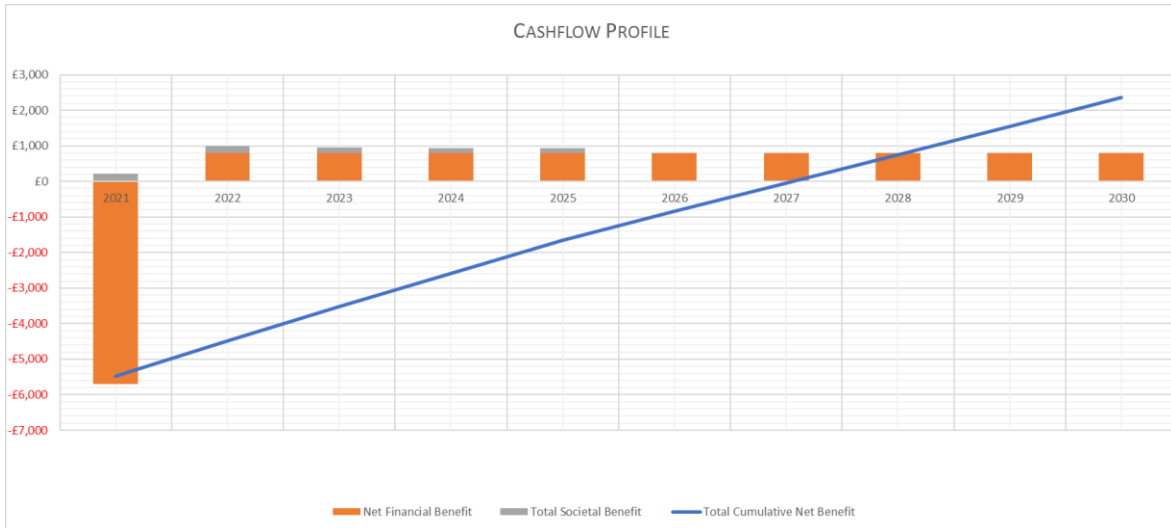
The demographic targeted by the Freedom Project is Social and Private rented properties with the areas likely to be in fuel poverty. The same SROI proxies as for the fuel poor scheme have been used with health benefits recognised over circa 10 years.

### **Existing Gas consumer**

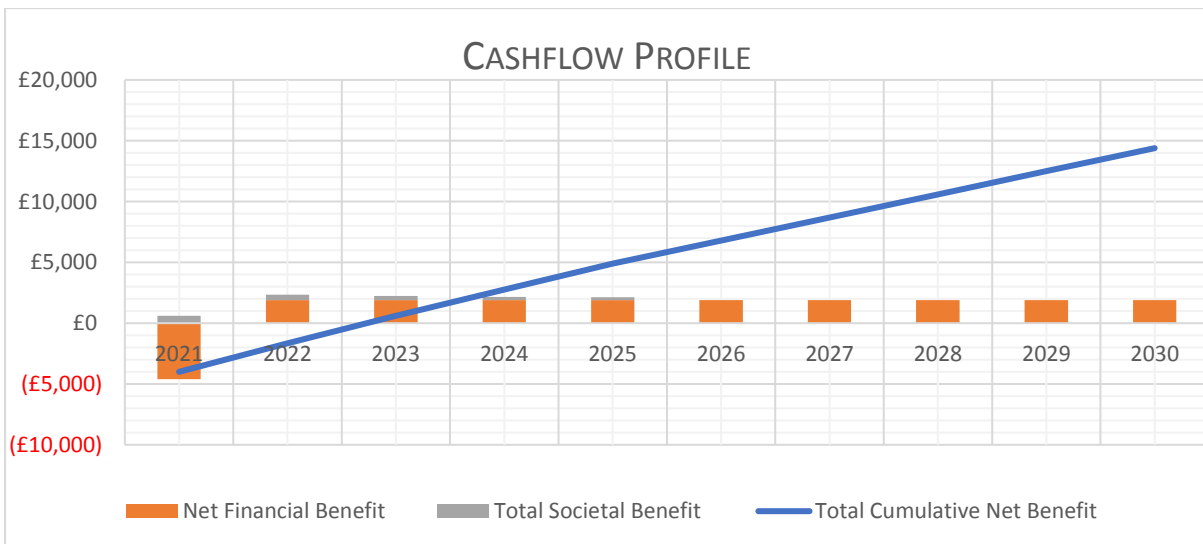
There is no benefit to a customer of installing a heat pump on an existing gas system. Reduced gas usage is offset with high electric usage. With oil currently being a similar cost to natural gas, the same applies to oil heating systems

### **LPG**

LPG costs per kwh are double that of natural gas. A small-scale trial of the heat pumps on LPG properties showed a saving of £750 in the October to April period. A figure of £800 has been used in the model to allow for usage outside of this peak period. It is these off-grid customers that the initial heat pump roll out will target in Wales. The output below shows the payback assuming an install cost of £6,500 and annual savings of £800 (80% reduction in LPG usage offset by increased electrical usage). On this basis payback would be in 7 years.



The current domestic Renewable Heat Incentive (RHI) provides an annual income of around £1,100. This reduces payback to 3 years. The Welsh government scheme would fund the heat pump with the RHI going back to them and the customer benefiting through the reduced heating costs.



Should you have any further questions or queries, then please do not hesitate to contact me.

Kind regards,

Sarah Hopkins  
 People & Engagement Director  
 Wales & West Utilities

# CEG challenge letter – August 2019

## **CONFIDENTIAL**

Sarah Hopkins  
People and Engagement Director  
Wales and West Utilities

19/08/2019

### **CEG Challenges August 2019**

Dear Sarah,

I list below the challenges which were discussed at CEG in our August meeting. We have endeavoured to keep the number of challenges at a minimum.

#### **Innovation.**

We believe it important that there is clear distinction between BAU activities and those that would attract 'innovation' funding. We expect WWU to clearly demonstrate how and why they are going above and beyond business as usual. And throughout these challenges here and below – what are the trade-offs?

#### **Future of Energy.**

We value highly the work being done by WWU in this area, particularly with the concept 'net zero' and the urgent action that will entail. We believe your work would benefit by drawing a wider perspective of the issues, possible solutions and costs. This would help to reduce the general feeling that WWU have pursued this route simply because it is a gas distribution company. I know space is limited (an appendix?) but there are key data on what WWU have studied, what was the critical evidence required for your decisions in terms of practicality and cost. Additionally, further understanding of your decision to choose 2035 to be net carbon ready.

#### **Consumer Value Proposition.**

This was well received by the group but as with the comments on innovation we wondered whether some outputs included in the CVP were BAU rather than going 'above and beyond'. Also, we would encourage WWU to think carefully about how qualitative feedback is presented as evidence of CVP. It still needs to be robust and triangulated.

#### **Outputs and Incentives.**

We felt that there needed to be better justification on all outputs but certainly with a priority on bespoke measures. The current justification level does not meet the minimum required by Ofgem in their Business Plan guidance. Nigel indicated that there was a paper for the theft of gas measure and we would particularly wish to see this.

**Other Issues.**

Steve Edwards mentioned that KPMG were engaged and reporting on the 'quality' of the Business Plan. Is it possible to see this report? Additionally, we understand that, following an enquiry from the group, we were informed that an October draft of the Business Plan would be available mid-September, this would help the CEG enormously to have access to that draft to enable us to draft our short report to the Challenge Group but, more importantly start on our full report for completion in December. Clearly, we will also require an early opportunity to redraft our report in November/ December and an early access to your Final Draft would be key to CEG meeting the required timescales. I will copy this letter to Steve since I understand it is a busy time for leave.

Yours sincerely,

*Mike Brooker*  
(CEG Chair)

## WWU response to CEG – August 2019

### **CONFIDENTIAL**

FAO Mike Brooker  
Customer Engagement Group Chair

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11/09/2019

Dear Mike,

Many thanks for your letter outlining the key challenges that arose from the 9th meeting of the Customer Engagement Group on the 19<sup>th</sup> August.

Please see the following responses to each point outlined in your letter.

#### Innovation

*We believe it important that there is clear distinction between BAU activities and those that would attract 'innovation' funding. We expect WWU to clearly demonstrate how and why they are going above and beyond business as usual. And throughout these challenges here and below – what are the trade-offs?*

Our innovation strategy has been revised to include a clear distinction between the focus area, funding and ambition for both NIA & BAU innovation in the three projects to show how we are going above and beyond business as usual. In addition to the formal points raised in the letter we also noted your comments regarding the effectiveness of our ambition to reach 500 third party innovators in GD2- this will be clarified in the next draft to clearly establish how we can have broader more meaningful relationships as well as invite partners to be included in our innovation portfolio.

#### Future of Energy

*We value highly the work being done by WWU in this area, particularly with the concept 'net zero' and the urgent action that will entail. We believe your work would benefit by drawing a wider perspective of the issues, possible solutions and costs. This would help to reduce the general feeling that WWU have pursued this route simply because it is a gas distribution company. I know space is limited (an appendix?) but there are key data on what WWU have studied, what was the critical evidence required for your decisions in terms of practicality and cost. Additionally, further understanding of your decision to choose 2035 to be net carbon ready.*

We have used our Pathfinder model to look at a wide range of scenarios and have used this in projects such as Green City Vision which showed that multi-vector solutions offer a practical and lower cost means of achieving net zero than single-vector options.

We recognise that specific analysis and costings would be required for any substantial projects and will include in an appendix detail of the processes by which we will engage with customers and stakeholders to ensure due consideration of whole system solutions for specific investment planning. We have proposed that revenue associated with Future of Energy investment is via a Net Zero Uncertainty Mechanism to reflect this additional need.

The attached Business Plan outlines our decision to choose 2035 for our net zero target. Some stakeholders have said that this is not soon enough but within the plan we explain the reliance on others (including DNO's) which is in part driving this date.

#### Consumer Value Proposition

*This was well received by the group but as with the comments on innovation we wondered whether some outputs included in the CVP were BAU rather than going 'above and beyond'. Also, we would encourage WWU to think carefully about how qualitative feedback is presented as evidence of CVP. It still needs to be robust and triangulated.*

We acknowledged in the meeting with the CEG that the Consumer Value Proposition could only include activities beyond business as usual. This has been reflected in the chapter narrative and has been stressed in conversations with Sia partners who will be providing the independent assurance for the chapter. The values will be populated as far as possible for the October plan but there may be some items that need further work and will not be completed and assured until December version of the plan.

Given the limited number of pages out of the 200 for the whole plan, we agree that we would produce an appendix to support this chapter in which we will explain how and where we go above and beyond in more detail, evaluate the costs of these activities and outline the assumptions made for the SROI model. We will show the dashboard summary from each CBA model and have the models available for assurance by KPMG. This document will be completed by the 20<sup>th</sup> September.

#### Outputs and Incentives

*We felt that there needed to be better justification on all outputs but certainly with a priority on bespoke measures. The current justification level does not meet the minimum required by Ofgem in their Business Plan guidance. Nigel indicated that there was a paper for the theft of gas measure and we would particularly wish to see this.*

We are producing a detailed appendix to support the output chapter, this will justify the output by five key areas that Ofgem have laid out in the business plan guidance. The CEG laid out 12 key tests and we will structure each output to answer all 12 CEG challenges as far as possible. This will be completed by the 20<sup>th</sup> September.

Please see [here](#) the future detail of the theft of gas output as requested. This has been used as the basis for discussion at the regional workshops and recent stakeholder events.

Other issues

*Steve Edwards mentioned that KPMG were engaged and reporting on the 'quality' of the Business Plan. Is it possible to see this report?*

We have arranged for KPMG to attend your meeting on the 18<sup>th</sup> September as discussed.

Should you have any further questions or queries, then please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink, appearing to read 'Sarah Hopkins', written in a cursive style.

Sarah Hopkins  
People & Engagement Director  
Wales & West Utilities

## CEG challenge letter to WWU – October 2019

### **CONFIDENTIAL**

Sarah Hopkins  
People and Engagement Director  
Wales and West Utilities

21/10/2019

### **CEG Challenges October 2019**

Dear Sarah,

Following our meeting on the 16<sup>th</sup> October considering the October version of the business plan, we suggest that rather than issue a formal list of challenges, that you take into consideration the spreadsheet that we shared with you containing our commentary and challenges. I trust this is satisfactory to you.

We would appreciate it if you could consider this whilst preparing for your final submission of your business plan in December.

We have also supplied you with a copy of our [report](#) submitted to the RIIO2 challenge group, based on your October version of the business plan.

Yours sincerely,

*Mike Brooker*  
(CEG Chair)



## WWU response to CEG – October 2019

### **CONFIDENTIAL**

FAO Mike Brooker  
Customer Engagement Group Chair

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13/11/2019

Dear Mike,

Many thanks to all members for taking the time to read our October version of the business plan, we appreciate the time you've taken to consider and raise your challenges.

We have taken all of your challenges into consideration and as you know are currently finalising the December business plan. You will shortly receive our latest draft version for your consideration along with our updated responses to your challenges in the log. We look forward to meeting with you all again on the 20<sup>th</sup> November to discuss this further with a view to concluding any outstanding matters for the final draft.

Should you have any further questions or queries, then please do not hesitate to contact me.

Kind regards,



Sarah Hopkins  
People & Engagement Director  
Wales & West Utilities