

WPD CEG MEETING MINUTES

MEETING	WPD CEG Meeting
DATE	6 June 2019
TIME	0900 – 1600
THEMES FOR THE MEETING <ul style="list-style-type: none">• Defining the purpose of the CEG• Introduction to stakeholder and customer research• July stakeholder consultation• CEG administration, including TOR and COI	

MINUTES, ACTIONS AND CHALLENGES FROM PREVIOUS MEETING

As this is the first formal meeting of the CEG, Duncan McCombie (DM), Chair, raised the approach to governance of the Group in future meetings, at which conflicts will be raised at the start of the sessions alongside minutes, actions and challenges from previous meetings.

SESSION ONE: DEFINING THE PURPOSE OF THE CEG

WHAT A CHALLENGE IS

The session defined what topics should be challenged and how these topics should be challenged to ensure a robust and thorough response.

- There was general agreement the CEG is there to challenge the process and not just the content, ensuring the process delivers the outcomes and impacts required.
- It was felt members' expertise should not change a conclusion where there is demonstrable evidence that customers have made the decision.
- The topics for challenge should be explicitly stated and should include the starting assumptions underpinning the Business Plan.
- The stated objective of the group should be delivering the best outcomes for customers. The end point should not be the Business Plan itself, but what it delivers in terms of consumer value and wider societal and environmental benefits.
- Members agreed that there is an immediate need to understand WPD's assessment of the socio-political context in which it is operating, how this influences its strategic direction and how it sees its role within it.

The actions, clarifications and challenges from this session include:

- Update the challenge definition slides (particularly the topics and the questions) to reflect members' comments, but proceed on that basis; and
- Ask WPD to set out the strategic position of the business as it enters the ED2 process (e.g. the status of assets and resilience) to accurately demonstrate the 'starting point' on which it will be building.
- A challenge was raised in this area. Once finalised, it will be published in the challenge log.

THE CHALLENGE LOG

The proposed decision-tree that will support the CEG to evaluate challenges was presented, as well as the challenge log that will record and track challenges.

- Members wanted to ensure that the trade-offs between decisions are recognised.
- If there are any instances where the challenge has been closed but the CEG remains unsatisfied, this will be included in the final report to Ofgem.

- The importance of clearly defining a challenge so there was no miscommunication with WPD was noted.
- It was felt that it was important for the CEG to publicly recognise when WPD is doing well and there could be times when it may be a case of challenging the company to go further.
- The scope of the CEG was questioned in terms of whether the Group can challenge current delivery or just the RIIO-2 Business Plan.

The actions, clarifications and challenges from this session include:

- Set clearly defined challenges and implement a process to ensure they have been correctly interpreted; and
- Challenges that have been closed but not fully addressed will be taken through to the final report to Ofgem.
- No challenges were raised.

WHO WE ARE HERE TO REPRESENT

A member paper was presented on who the CEG is here to represent, including an assessment of what Ofgem's guidance had been to date and whether the licence obligation or the statutory duty should take priority.

- It was noted that the RIIO-2 final definition papers for GDNs and TOs had a very broad definition of customer and stakeholder.
- If a broad definition of customer is adopted, it was felt the key considerations become the trade-offs that will have to be made.
- Previous work done by Ofgem and others (2010) to produce a picture of what consumer interest is was highlighted. It was felt that WPD should set out what its conception of consumer interest is, as this was an important starting point that needs validating before proceeding with the next Business Plan.
- It was proposed that the Group should consider consumer interests rather than who those consumers are.

The actions, clarifications and challenges from this session include:

- CEG to review the paper on Ofgem's thinking on consumer interests (2010);
- To request a paper from WPD setting out its current understanding of consumer interests; and
- Agree a 'guiding principle' for who the CEG at WPD is here to represent.
- No challenges were raised.

SESSION TWO: INTRODUCTION TO CUSTOMER AND STAKEHOLDER RESEARCH

WPD presented their stakeholder engagement strategy and plan for RIIO-ED2. This was followed by the findings from WPD's most recent annual stakeholder workshops held in February 2019.

- Clarification was sought on how WPD seeks the views of all stakeholders and customers. For example, the silent majority, as well as those who do not use social media or are time poor and cannot attend workshops.
- There was a desire to understand how changing challenges and the evolution of customer engagement by the utility sector impacted the approach to customer research and the level of stakeholder engagement (co-create, negotiate etc.) undertaken by WPD.
- The question of what WPD sees as its role (enabler, leader etc.) was raised, particularly in the context of the electric vehicle charging network and how this compared with other network operators.
- Issues around the socialization of future costs was raised given the likelihood of the volatility of customers' bills to address the major challenges the networks are facing – and whether poorer customers will be worse off.

The actions, clarifications and challenges from this session include:

- Request for an analysis from WPD of nil-returns against network performance in that area;
- Request for information on how changing challenges and priorities have altered WPD's approach to customer engagement and research;
- Request for clarity on the definition and distinction between different levels of engagement: co-create, negotiate etc., and;
- Request to see the alternative methodologies considered to the 'blank piece of paper' as part of WPD's stakeholder engagement strategy.
- No challenges were raised.

SESSION THREE: JULY 2019 STAKEHOLDER CONSULTATION

WPD presented on the upcoming stakeholder consultation taking place in July 2019.

- There was a desire to understand exactly how end-users' input is captured in the consultation – particularly on the issue of affordability.
- The challenge of affordability in this sector was noted given that customers generally think WPD's proportion of the bill is good value and Willingness to Pay exercises only allow a 16% flex on cost.
- The need to carefully consider the challenges of the changing network ahead of the Willingness to Pay research was noted – for example the potential for electric vehicles to seriously reduce reliability, and who should pay for it.
- There was a desire to understand what alternatives were considered to assess customer and stakeholder priorities aside from this consultation and the annual workshops as they were considered more traditional approaches.

The actions, clarifications and challenges from this session include:

- No actions or clarifications followed this session.
- A challenge was raised in this area. Once finalised, it will be published in the challenge log.

SESSION FOUR: GOVERNANCE AND CEG ADMINISTRATION

The CEG Secretariat introduced the revised drafts of the COI and TOR and clarified points of administration for the group.

- Future meeting dates and locations were presented and discussed.
- There was a conversation on: pre-reading; structure for the meetings; and the importance of using sub-groups.
- It was suggested that the first sub-group that will be required would be on customer and stakeholder research.

The actions and clarifications from this session include:

- TOR and COI policies to be revised to reflect comments, following which they are signed off; and
- Chair to speak to appropriate CEG members about the structure, scope and timing of a research sub-group.
- No challenges were raised.

The next meeting will be held on 15 August 2019 in Birmingham.