



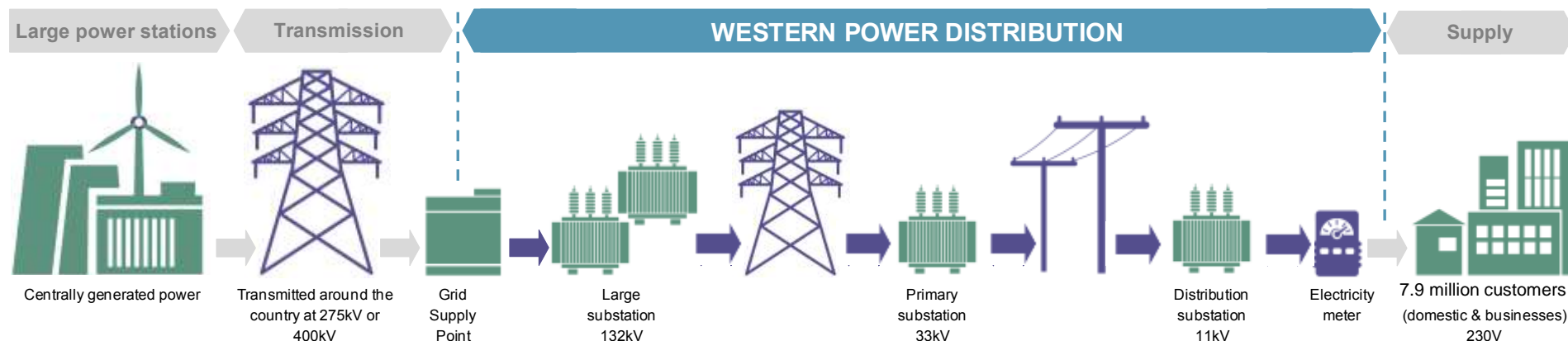
*Serving the Midlands, South West and Wales*

**Session 1:**  
**Introduction to WPD**  
**&**  
**Our RIIO-ED2 engagement plan**

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# WHO WE ARE: WE ARE A DISTRIBUTION NETWORK OPERATOR (DNO)

- We operate the local electricity network, distributing power to 7.9 million homes & businesses

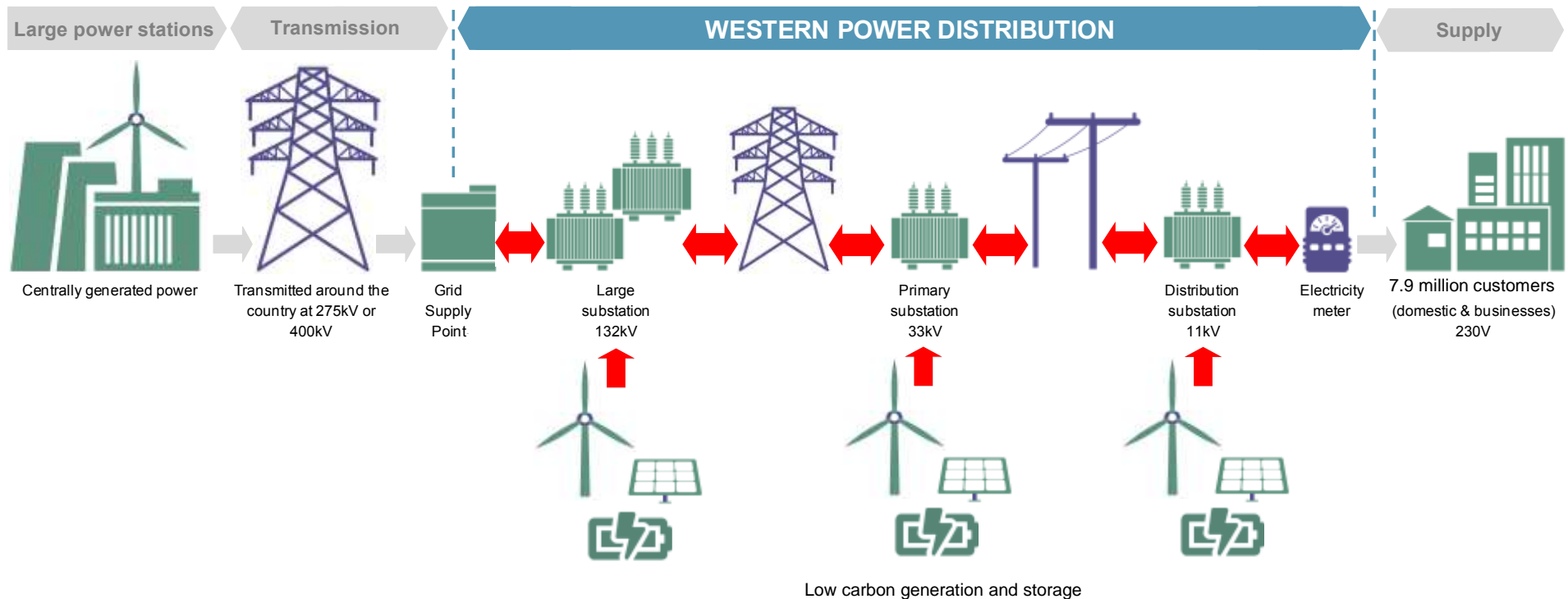


- Covering the East and West Midlands, South Wales and South West England



# WHO WE ARE: BECOMING A DISTRIBUTION **SYSTEM** OPERATOR (DSO)

- We operate the local electricity network, distributing power to 7.9 million homes & businesses



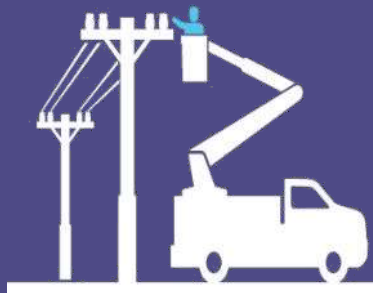
# WHAT WE DO: AS A DISTRIBUTION NETWORK OPERATOR (DNO)

- Four traditional tasks:



## Keep the lights on

by operating our network assets effectively



## Maintain equipment

so that the network is in a condition to remain reliable



## Fix the network

if equipment gets damaged or is faulty

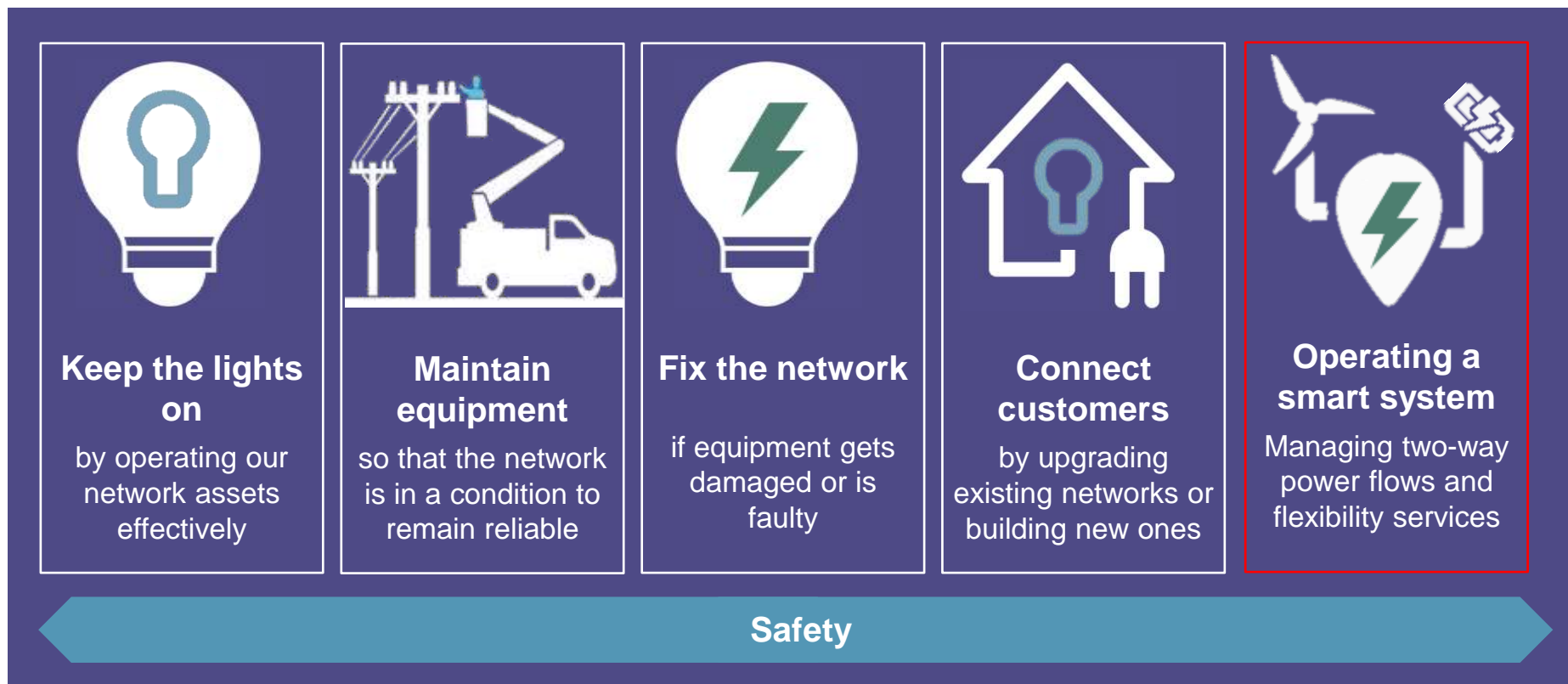


## Connect customers

by upgrading existing networks or building new ones

Safety

# WHAT WE DO: BECOMING A DISTRIBUTION **SYSTEM** OPERATOR (DSO)



# BUSINESS PLANNING PROCESS

**Networks are regional monopolies, so customers can't 'vote with their feet'**

Therefore:



**regulates how much  
revenue we can earn  
and what we must  
deliver to earn it**

- *Seeks to protect consumers' interests*
- *Mimics competition to drive down costs and ensure high performance*
- *Sets price controls that determine how much we can spend*
- *Issues licences setting out our obligations and the revenues we can earn for delivering them*
- *Periodically WPD develops a Business Plan working with stakeholders*
- *Business Plan is submitted to Ofgem for approval*

**The next  
price  
control  
will cover  
5 years**



- *Commencing 1<sup>st</sup> April 2023*
- *Covering the period 2023-2028*
- *Preparations (including today's event) are now underway – extensive engagement with stakeholders will be crucial*

# THE CURRENT RIIO FRAMEWORK

$$R_{\text{evenue}} = I_{\text{ncentives}} + I_{\text{nnovation}} + O_{\text{utputs}}$$

**E**lectricity  
**D**istribution  
**1** (1<sup>st</sup> price control using this framework)

Incentives to drive leading performance



Customer service
Network performance
Losses
Connections
Efficiency

Focus on driving innovation



Network Innovation Competition

Clearly defined commitments to deliver



Safety	Environment
Reliability	Connections
Customer satisfaction	Social obligations



Underpinned by extensive stakeholder engagement



# OUR TIMELINE FOR RIIO-ED2

- In the current price control WPD was the only electricity distribution company to have its Business Plan “fast tracked” (accepted first time round and in total by Ofgem)
- There may be an opportunity for “fast tracking” in the next price control. If so, for a Business plan starting in 2023, the timetable would be:

First draft Business Plan published for stakeholders to review	Sept-20
Second draft Business Plan published for stakeholders to review	Dec-20
Initial submission of the Business Plan to Ofgem	Mar-21
Present to Ofgem’s Consumer Challenge Group	Apr-21
Final Business Plan submission	Jun-21
Ofgem consultation	Sep-21
Final Ofgem determination	Feb-22

- A submission in early 2021 therefore requires us to begin our planning now
- Beginning in 2019 means we are looking up to 9 years ahead, so we must be forward thinking and inclusive when we engage



# WPD'S ENGAGEMENT PROCESS

- It is critical that we build our Business Plan with our stakeholders - every key decision and commitment must be well justified

- To achieve this we will follow a five stage engagement process

**Stage 1:**  
Preliminary engagement

- Identify initial stakeholder priorities (*areas within which outputs and performance improvements are expected*)

**Stage 2:**  
Willingness to pay

- Identify specific improvement levels within each priority area and their value to customers

**Stage 3:**  
Business plan development

- Draft our commitments with stakeholders and indicate likely costs

**Stage 4:**  
Business plan refinement

- Negotiate output levels and refine/clarify our commitments

**Stage 5:**  
Business plan acceptance testing

- Present the final plan to stakeholders for review (and voting) before submission to Ofgem

- Our engagement methods will be tailored to suit the audience, e.g:  
face-to-face workshops, written consultations, focus groups,  
market research, webinars, online surveys, digital panels

# TABLE DISCUSSION

## WPDs engagement approach for RII0-ED2

1. Why have you attended today?
2. Would you like to be involved in our consultation at key points?
3. What methods of engagement best suit you and the wider stakeholders/customers that you represent?
4. Are there any key stakeholder groups you particularly feel it is vital to be involved?