

Phil Swift
Chief Executive
Western Power Distribution

22 February 2021

Dear Phil,

Over the last 20 months, the Customer Engagement Group, an independent group with specific and specialist knowledge, has been scrutinising, challenging and questioning the elements contributing to WPD's business plan for 2023 – 2028, as you have developed it. As we monitor the progress of your plan, our aim is to promote the best value outcomes for consumers and stakeholders, identifying their concerns and how well these inform the development of your approach and your commitments to them.

Late last month you published an early draft of this plan with an accompanying consultation document, setting out WPD's proposals and seeking feedback from stakeholders on their priorities, needs and expectations. We look forward to seeing how these views are accommodated within the existing wide-ranging and in-depth research feedback you have already gathered, alongside your own expertise as long-term custodians of the electricity network with extensive insight on optimising solutions to deliver the impact desired by consumers and stakeholders to meet future demand effectively and efficiently.

Your approach of publishing at this time provides early sight of your plans and commitments, offering consumers and stakeholders an opportunity to influence the broader elements of WPD's strategy, approach and outputs. However, as the CEG, we also see this window of opportunity is beginning to close, as there is limited time for you to improve the business plan before you reach a near-final version in June 2021. We therefore take this opportunity to clearly set out our views at this stage.

The following points aim to ensure further iterations of the business plan provide greater justification of how you consider the needs and expectations of consumers and stakeholders, and the significant changes your business must make to deliver net zero and embrace: digitalisation; decarbonisation; democratisation and decentralisation of the energy system.

1. Your approach to **stakeholder engagement** in preparation for the development of your business plan has been more comprehensive and inclusive than for the current regulatory period. This gives you greater granularity of the needs and wants of stakeholders, but also sets an expectation those views expressed will be addressed in your final plan. Currently, specific commitments made in the plan appear to reflect WPD's working practices rather than combining understanding of specific stakeholder input and the prevailing environment in which the plan will be delivered.
2. We will be seeking to clearly understand what will be **measurably different** for consumers and stakeholders at the end of ED2, through the investments and initiatives you propose. Most of the commitments at this stage are describing the tasks the business will

undertake, rather than identifying the outcomes and impacts you are seeking to achieve. Perhaps consequently, the volumes are mostly defined as growth from ED1, rather than justified from benefits outweighing costs.

3. We have yet to see sufficient consideration of alternative options, a shift in speed or greater ambition to truly reflect the nature and scale of energy system change which can be expected in the coming decade as we transition to net zero. Most commitments in your draft plan represent incremental change from those currently being delivered in ED1. However, in some cases **more radical or ambitious commitments** may be justified to deliver the required impact and enable the wider system change. The CEG's view is the options presented in the first business plan consultation are generally limited to scaling of proposed ED2 commitments and do not sufficiently explore stakeholder appetite for more fundamental changes in your approach and practices.
4. We look forward to seeing, in future draft business plans: the evidence and justification of costs; the consideration of a drive for efficiency and consumer and stakeholder perspectives on **value for money** (for example in relation to bill profiles). This will allow bill payers the context and detail to fully understand the impact on their pockets.

You have provided the CEG with access to all levels of your business, leading an open and transparent approach for us throughout the development of your business plan. We welcome this positive engagement and the radical candor of the discussions we have had at all levels. We hope these comments will help as you consider the further development of your plan to best serve your existing and future consumers whilst providing sufficient justification of your decisions and commitments. We look forward to engaging with you on the specific areas of the plan we are challenging on behalf of customers and stakeholders.

Yours sincerely



Duncan McCombie

Chair of the Customer Engagement Group at Western Power Distribution