

Mr D McCombie
Chair of the CEG at WPD

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Our Ref

Your Ref

Extension

Date

CEG2

12 July 2021

Dear Duncan

I would like to thank you for your letter dated 24th May 2021 which I said I would respond to after the publication of our first submission Business Plan.

Following extensive engagement with over 19,000 stakeholders and the publication for consultation of two draft Business Plans, we published our first submission Business Plan on 1st July. Our plan includes the main document of 200 pages, an overview document, a Board assurance statement, a navigating our plan document, eleven annexes, 202 engineering justification papers, 21 cost benefit analyses, eight consumer value propositions justification papers and a full set of regulatory documents. It is in near final form, however it will be still be subject to further consultation, customer acceptability testing and refinement prior to the final submission in December this year.

Our plan demonstrates our capability to connect up to 1.5 million electric vehicle charging points and 600,000 heat pumps between 2023 and 2028 as part of the smart future. We will also work with partner organisations to ensure no-one is left behind in the take up of low carbon technology and that 113,000 fuel poor customers are supported to save more than £60 million on their bills. We will also reduce our own business carbon footprint to be net zero by 2028 (excluding network losses), support stakeholders within our area to deliver their net zero ambitions and enhance our cyber resilience. All of this will be done while keeping the average domestic customer bill broadly flat around the current level of £98 per year.

In your letter you wanted to seek further clarifications in several areas. I will address each one of these in turn and indicate where the justifications can be found in our plan.

1. Clear justifications for the targets and commitments in the plan.

In our plan we have developed 45 core commitments and 162 wider commitments which have been co-created with our stakeholders and are supported by them. Our extensive engagement programme started in 2018, has involved over 250 engagement events with over 19,000 stakeholders participating in them. We started with 67 core commitments when we published our first draft Business Plan in January 2021 for consultation and as a result of feedback from our stakeholders at that stage and the subsequent second draft Business Plan consultation we now propose 45 core commitments which are more specific and measurable.

The details on how these commitments were developed and checked with stakeholders is fully described in detail in Our Business Plan 2023-2028 First Submission Chapter 3 and Supplementary Annex SA-03 – Giving customers a stronger voice. Also full details of stakeholder support for each of our core commitments is detailed in Our Business Plan 2023-2028 First Submission Chapter 4 and Supplementary Annex SA-04: Our Commitments.

2. High levels of acceptability of the plan amongst our customers.

We have conducted a best practice review of approaches to acceptability testing, and have applied the learnings to deliver an extremely comprehensive and robust research exercise with 2,721 current and future end user customers. With five months of consultation and further Business Plan refinement to come, our plan has received 82% acceptability.

This is, however, the most conservative view and considers only those customer explicitly expressing acceptance. If we were to apply the approach to reporting used widely within the water, gas and transmission sectors, we can highlight that only 3% of customer stated that they did not consider WPD's Business Plan to be acceptable.

Amongst our stakeholders, our core commitments have received very high acceptability ranging from 87% (for consumer vulnerability) to 97% (for connections; workforce resilience; a smart and flexible network; community energy). Full details of our acceptability research can be found in Supplementary Annex- 03: Giving customers a stronger voice: Enhanced engagement.

3. Clarity on bill level and efficiency targets underpinning the plan.

Our plan clearly demonstrates that the investment required to allow us and our stakeholders to meet net zero and the need to enhance cyber security means we propose to spend £188 million more per year between 2023 and 2028 than we are currently spending. However due to efficiencies and financing parameters we will

keep our portion of the bill for an average domestic customer broadly flat around the current level of £98 per year.

Our Business Plan 2023-2028 First Submission Chapter 6 Page 160 and Chapter 9 Page 190 provides the transparent detail of the way the bill is made up and what it is forecast to be in RIIO-ED2.

Thank you for requesting these clarifications which I trust have been addressed. My team and I look forward to working with you over the next few months in order to further refine the Business Plan ready for final submission on 1st December 2021.

Yours sincerely,

Phil Swift
Chief Executive