

September 2018

Critical Friends Panel



EQ Communications

- Who we are
- Housekeeping
- Agenda



Purpose of today

**Provide you with
an update on what
we've been doing
since we last met**

**Get your valued
input into our
future stakeholder
engagement plans**



Agenda

Action	Time
Registration, coffee and networking	09:30 – 10:00
Introductions and purpose of the day	10:00 – 10:05
Business Update	10:05 – 10:20
Overview of Consumer Consultation and Engagement/Revised Stakeholder priorities	10:20 – 11:00
Business Plan: <ul style="list-style-type: none">• Introduction to Business Planning	11:00 – 11:15
Comfort break (15 minutes)	
Business Plan: <ul style="list-style-type: none">• Consumer voice	11:30 – 11:55
Business Plan: <ul style="list-style-type: none">• Fuel of choice	11:55 – 12:20
Business Plan: <ul style="list-style-type: none">• Service improvements	12:20 – 12:45
Business Plan: <ul style="list-style-type: none">• Customer bill	12:45 – 13:10
Wrap up and next steps	13:10 – 13:20
Lunch (30 minutes)	

Business performance update

Graham Edwards
Chief Executive

15 minutes

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Regulatory performance in RIIO-GD1

As at 31 March 2018, we're 100% compliant and ahead of target on 72% of regulatory targets

Regulatory year 17/18					
Output category	Number of outputs	Significantly ahead of target	Ahead of target	On target	Behind target
Safety	12	6	2	4	0
Reliability	10	1	6	3	0
Customer Service	5	3	1	1	0
Environmental	3	0	3	0	0
Social Obligation	2	0	1	1	0
Connections	8	6	0	2	0
Total	40	16	13	11	0

On track to achieve all output targets over the remainder of the control period



5th consecutive RoSPA Gold Award, and Gold Medal and Highly Commended in Oil and Gas sector

Recognised as an exemplar organisation for process safety in major accident prevention

Once again scored 100% in Achilles accreditation for safety management systems – fourth year in a row

Maintained regulatory one and two hour gas emergency response targets of 97%, despite impact of severe weather such as 'Beast from the East'

Through our partnerships, we provided more than 4,500 CO alarms, 96% to those most affected by CO

Continue to maintain lost time injuries at market-leading low-levels – currently 0.04 lost time injuries per 100,000 hours

Driving 
**OUTSTANDING
SERVICE**

Achieved overall customer satisfaction score of 9.15 in 2017/18 – joint second with Northern Gas Networks

Resolved 83% of complaints within 24 hours of receiving them

Reduced complaint volumes by 46% over last three years

Achieved 'Distinction' rating from Institute of Customer Services ServiceMark accreditation

Installed more than 430 Warm Home Assistance connections so far in 18/19 – aim to deliver 17% more WHA connections that originally planned

Added more than 3,300 vulnerable customers to the Priority Services Register – a 94% increase on 2016/17

Doing all
we can to

**PROVIDE
A RELIABLE
GAS SUPPLY**

& PROMOTE SUSTAINABILITY



Connected one more biomethane plant, taking our total to 19, which can potentially power more than 180,000 homes

Reduced carbon emissions from our network by 17% through targeted mains replacement

Our Future Energy Director, Chris Clarke, was recognised by IGEM for his 'Outstanding' contribution to designing a sustainable, environmentally friendly energy future

Launched GB's first national flood map, which incorporates current and future predictive flood scenarios for the 2020s, 2050s and 2080s



Future of Energy

- Created new Energy Strategy Director, to help shape our vision for 2050
- Created 2050 Energy Pathfinder, an energy simulator, unique in the energy sector, which helps regions work out solutions to reduce their impact on the environment
- Collaborating with WPD and others on Freedom project, which investigates the use of hybrid heating systems
- Invested £1.8m on 22 innovation projects during 2017/18

People/skills

- 12 Apprentices recruited, taking our total to 171
- Substantial investment in more than 60 roles in Cornwall
- Created new in-house management training programme
- Supporting Business in the Community Cymru's Business Class and Veterans Employee Work

Consultation Campaign

Sarah Hopkins
People & Engagement
Director

20 minutes 11

Challenges & Objectives

Low business awareness

Lack of understanding –
role of gas in the future of
energy

No customer database

Demonstrate our
commitment to engaging
and listening

- ✓ Generate a robust sample of feedback from a broad and inclusive range of stakeholders
- ✓ Increase brand awareness to create clarity of our role in the energy mix
- ✓ Build understanding of our current role to inform feedback on our future role
- ✓ Create an emotional connection with us to contextualise the value stakeholders place on the services we provide

Our approach

Stakeholder segmentation strategy

- Primary audience
- Mosaic Profile review
- Strategic stakeholders
- Internal stakeholder identification

Consultation question methodology

- Questions – core themes
- Audience – targeted interactions
- Channels – high level vs in-depth

Creative insight - creating context focused on the customer benefits we deliver through our services

Channel strategy – each channel chosen to perform a specific purpose from creating awareness to generating responses

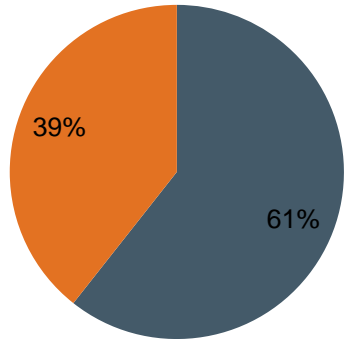
Creative delivery – a multi-layered strategy designed to be accessible for mass audiences and tailored to target key groups

Incentives – weekly incentives focused on driving responses offered at an appropriate reward level

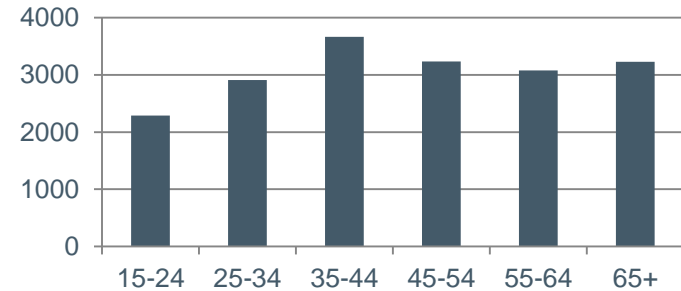
Early results

Gender

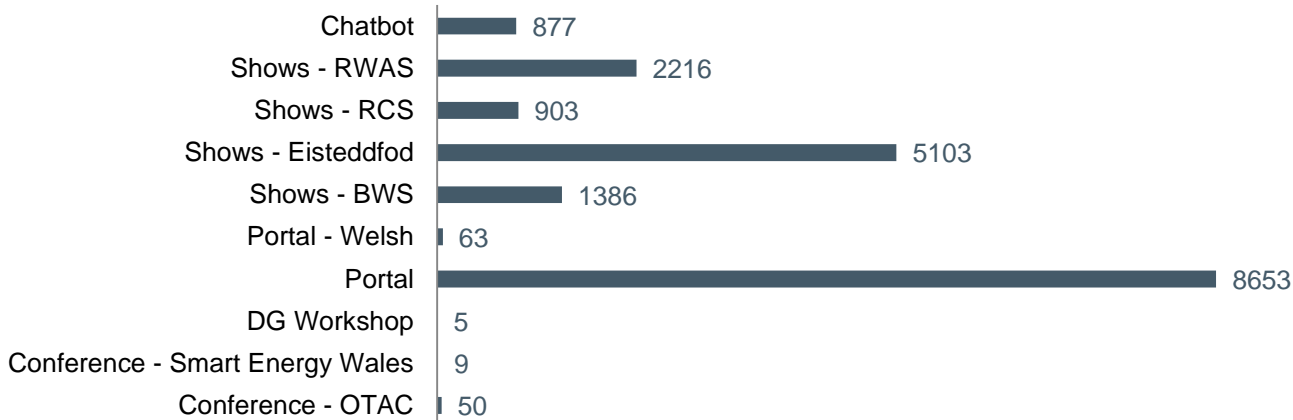
■ Female ■ Male



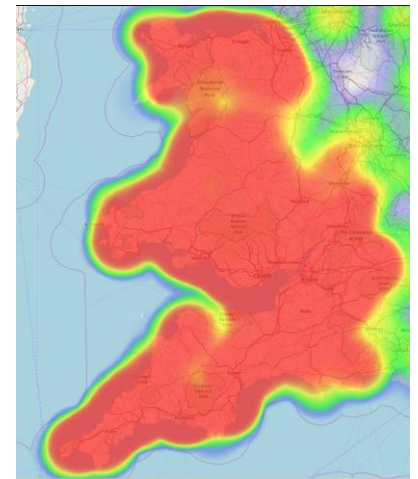
Age Profile



Channels



Postcode Heat Map



Early insight – Emergency Service

Q: We run the gas emergency service for the communities we serve. That means if you smell gas or have a gas leak, we'll be there to keep you safe. On average it takes us 40 minutes to get to you to resolve a gas emergency.

Face to Face Workshops

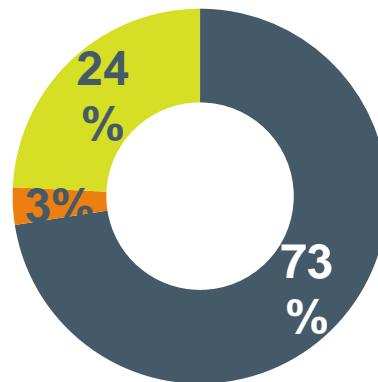
96% said 'About right'

Must prioritise vulnerable

Fire & Rescue – mixed views

Online Survey : Response times

■ About right
■ Too fast



Focus Groups & Vulnerable People Interviews

Generally okay

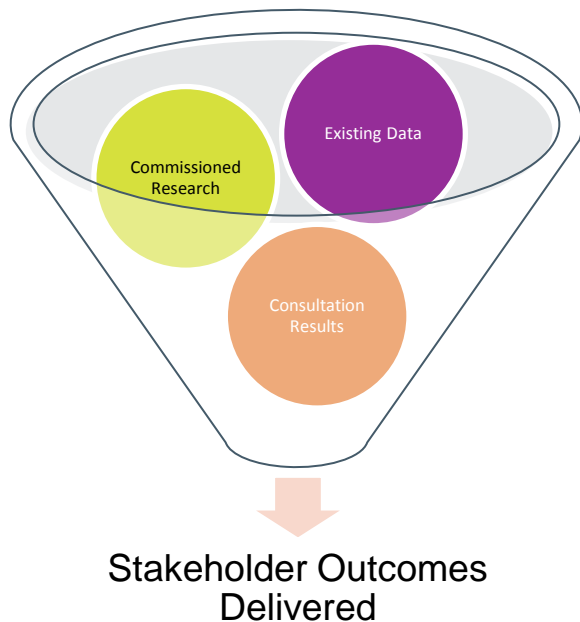
Too slow for vulnerable people

Support requirements discussed

Who we've engaged with and how

	Panels	Research	Focus Groups (one-off)	1-2-1s	Questionnaire	Partner Led	Workshop	Collaborative Engagement (GDN)
Domestic Customers/general public		Y	Y		Y			
Vulnerable Customers	Y		Y	Y		Y		
Industrial & Commercial Customers				Y				
Business	Y					Y		
Power Generators			Y	Y			Y	
Future Consumers			Y		Y		Y	
Green Gas Entrants					Y		Y	
Local Authorities (Energy)			Y	Y				
Highways Authorities			Y	Y				
Shippers					Y			Y
National organisations					Y		Y	
Nat & Reg Politicians				Y			Y	

Next steps



Immediate Actions	Tranche 2
Analysis of data	Optioneering and cost analysis
Triangulated by independent experts	Further engagement and research
Prioritisation	Review and sign off
Sense check and agree actions for Tranche 2	Inform business plan and inform business process

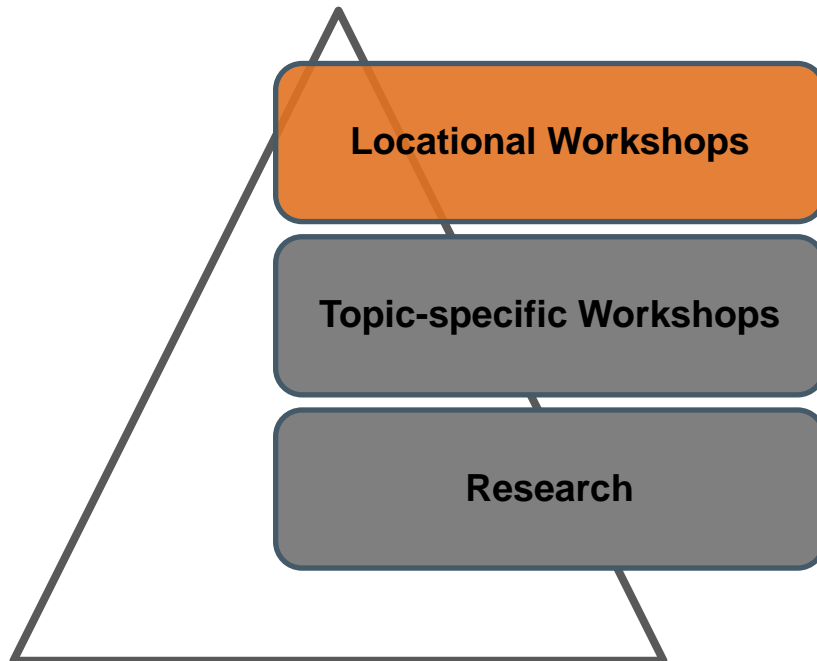
Underpinned by a continuous cycle of engagement, listening and action

Stakeholder priorities

Sarah Hopkins
People & Engagement Director

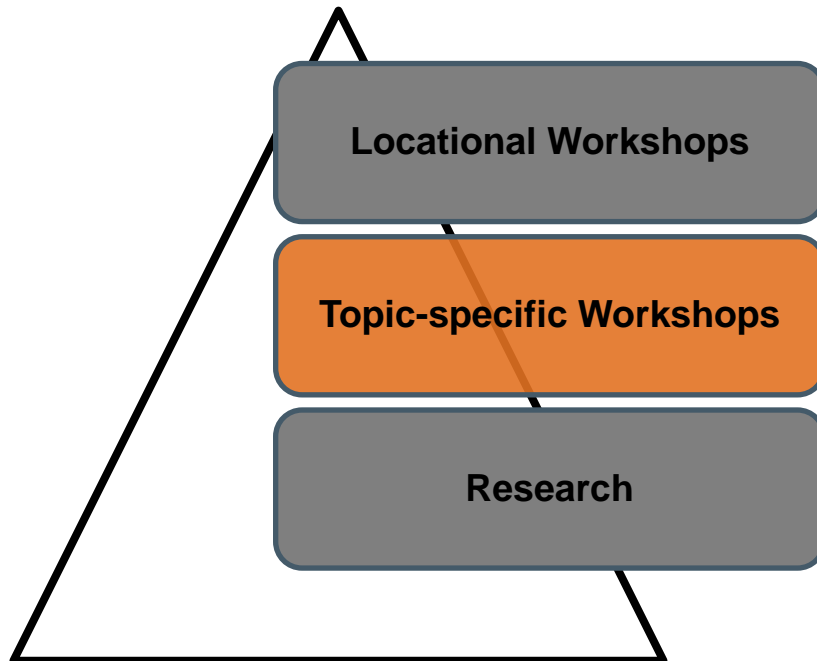
20 minutes 18

Workshops and research



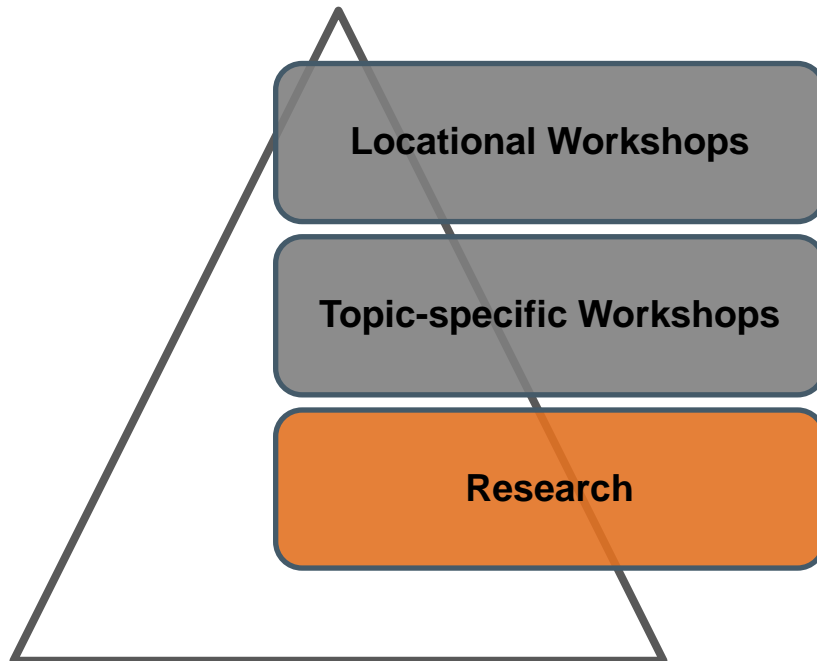
- Seven events, attended by 81 stakeholders:
 - Emergency Services
 - Charity representatives
 - Council
 - Government
 - Utilities
 - Housing Associations
 - Suppliers

Workshops and research



- Two Future Bill Payers' Workshops
 - Attended by more than 40 stakeholders, including our Apprentices and High School pupils
- A Distributed Generation Workshop
 - Attended by 27 stakeholders

Workshops and research



- Carried out Vulnerable Customer research:
 - Three focus groups
 - 20 face-to-face interviews
 - 31 Care & Repair casework surveys
 - 100 telephone interviews

Priorities

2017/18

1. CO awareness and prevention =
2. Customers in vulnerable situations **+5**
3. Lower carbon future **-1**
4. Supporting the fuel poor =
5. Meeting future demand =
6. Innovation **+2**
7. Customer service **NEW**
8. Connections **NEW**
9. Theft of gas **-6**
10. Major incident planning **-4**
11. Protecting the environment **-2**
12. Smart metering **-2**

2018/19

1. CO awareness and prevention = (Social Obligations)
2. Customers in vulnerable situations = (Social Obligations)
3. Supporting the fuel poor **+1** (Social Obligations)
4. Lower carbon future **-1** (Planning for the future)
5. Meeting future demand = (Planning for the future)
6. Innovation = (Planning for the future)
6. Customer Service **+1** (Customer Experience)
8. Connections = (Customer Experience)
8. Protecting the environment **+3** (Planning for the future)
10. Major incident planning = (Customer Experience)
11. Theft of gas **-2** (Customer Experience)
12. Smart metering = (Customer Experience)

Social Obligations

2017/18

Future?

- Created strategic partnerships with Fire & Rescue Services, Federation of Small Businesses and Care & Repair



- Create two-way referral processes with partners

- Once again our services were verified against British Standard for Inclusive Service Provision (BS18477)



- Review our engineers training, consider Safeguarding training. Research and investigate death rate comparisons from CO poisoning and cold homes

- Provided more than 96% of CO alarms to those most affected by CO, an increase on 33% during 2016/17



- Consider free CO alarms for all – carry out a cost/benefit analysis and explore partnership and funding opportunities. Raise suggestion with Ofgem for gas suppliers to install CO alarms alongside smart meters

- Installed 1,050 Warm Home Assistance connections



- Review funding opportunities to address number of connections across the network for all customers

Planning for the future

2017/18

Future?

- Created dedicated Green Gas team



- Consider how we engage with farming community to support development

- Appointed a Public Affairs consultancy to help us promote the role of gas in the future



- Further develop awareness of greener/alternative sources of energy and promote how our pipe replacement programme makes sure our network is future-proofed

- Built stronger relationships with the Energy Networks Association, to make sure our views are taken on board



- Consider how awareness of the roles and responsibilities of suppliers and networks are raised

Customer experience

2017/18

Future?

• Began engagement exercise with Local Authorities, to improve working relationships



• Review potential for working alongside other utility companies when work is being carried out

• Received Institute of Customer Service ServiceMark with Distinction



• Consider developing an app to communicate with customers

• Resolved 83% of complaints within 24 hours of receiving them



• Review KPIs for dealing with customer complaints effectively, making sure they drive the right behaviours

• Built new partnership with Federation of Small Businesses (FSB)



• Review mechanisms for notifying business of future work plans

Business Plan

Sarah Williams
Head of Regulation - RIIO



Agenda



Introduction to Business Planning

Consultation Session 1 - Consumer voice

Consultation Session 2 - Fuel of choice

Consultation Session 3 – Service improvements

Consultation Session 4 – Customer bills

Introduction to Business Planning

15 minutes 28

Business Planning - Role of Ofgem

Ofgem regulate the level of revenue we can earn

- Business plan development & industry workgroups
- We submit a business plan to Ofgem
- We negotiate a 5-year price control deal (2021 – 2026)



Ofgem set price controls using use the **RIIO** framework

- Set **R**evueue using **I**ncentives to deliver **I**nnovation & **O**utputs
- RIIO1 (2013 – 2021) and RIIO2 (2021 – 2026)

Ofgem's objectives for RIIO2 are to make sure

- “Companies deliver the value for money services that both existing and future consumers want”

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“RIIO”: Revenue = Innovation + Incentives + Outputs

How are we incentivised?



- We're incentivised to outperform the regulatory deal
 - We keep 63% of any outperformance
 - We incur 63% of any overspend

- RIIO GD1 includes the following additional incentives:

Area	£m pa	% of revenue	Explanation
Customer Satisfaction	+/- £2m	0.5%	Complaints & Customer Surveys. Capped but no sharing factors applied
Stakeholder Engagement	up to £2m	0.5%	Decided via a written submission & a 20min panel session. Capped but no sharing factors applied
Exit capacity incentive (NTS)	+/-£2m	0.5%	Incentivised to book less than ex ante allowed target bookings with NTS. Not capped but sharing factors applied
Environmental	+/-£2m	0.5%	Shrinkage gas & environmental emissions. Not capped but sharing applied
Discretionary Reward	c.£1m	0.25%	3yearly – for fuel poverty, environmental and carbon monoxide. Capped with no sharing applied

We plan to return over **£40m** to customers in RIIO GD1

So what do we have to deliver?...Outputs

Customer Service

- Providing great service is measured by a survey
- Respond to complaints quickly
- Delivering effective stakeholder engagement



Reliability

- Minimising the length of time a customer's gas supply is interrupted
- Maintaining the health of our gas assets

Safety

- Responding to gas escapes
- Reducing risk of an explosion by replacing metallic gas mains with plastic pipes



Environment

- Reducing emissions (from gas network & carbon footprint)
- Reducing waste to landfill
- Land remediation

Customer Connections

- Maintaining Guaranteed Standards
- Facilitating distributed gas entry



Social Obligations

- Connecting customers in Fuel Poverty to the gas networks
- Increasing carbon monoxide awareness

RIIO - Enhanced engagement

RIIO 1

- Limited formal 'engagement' requirements
- Business Plan had to be 'stakeholder led'
- Ofgem had a 'Price Control Review Forum'
- Ofgem held working groups
- Companies invested in workshops & sought views
- Stakeholder feedback largely ignored

RIIO 2

- Pressure to increase consumer voice
- 'Enhanced Engagement' Key theme of RIIO framework review
- New - Customer Engagement Challenge Group (Company led)
- New – RIIO2 Challenge Group (Ofgem led)
- Independent reports required from both new groups
- New Open Hearings

Role of Customer Engagement Group (CEG)

- To challenge us on:

Overall priorities and approach

Approach to sustainability and resilience

Proposed outputs and expenditure

Cost efficiency and service quality

Quality of stakeholder engagement

Approach and support for vulnerable consumers

Approach to innovation

Future network scenarios

Approach to managing uncertainty and risks

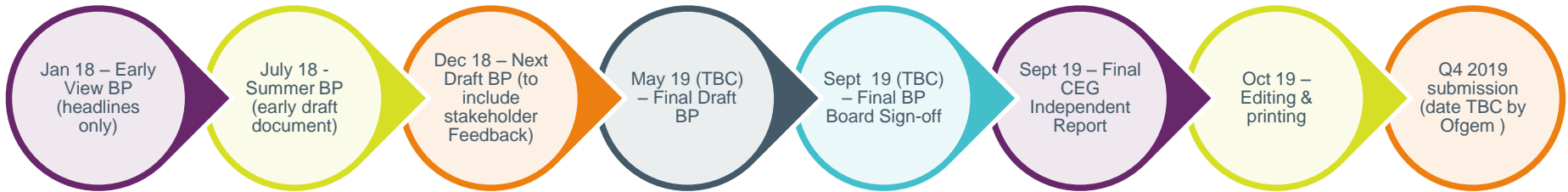
Investment proposals

Issues of particular relevance to a local region

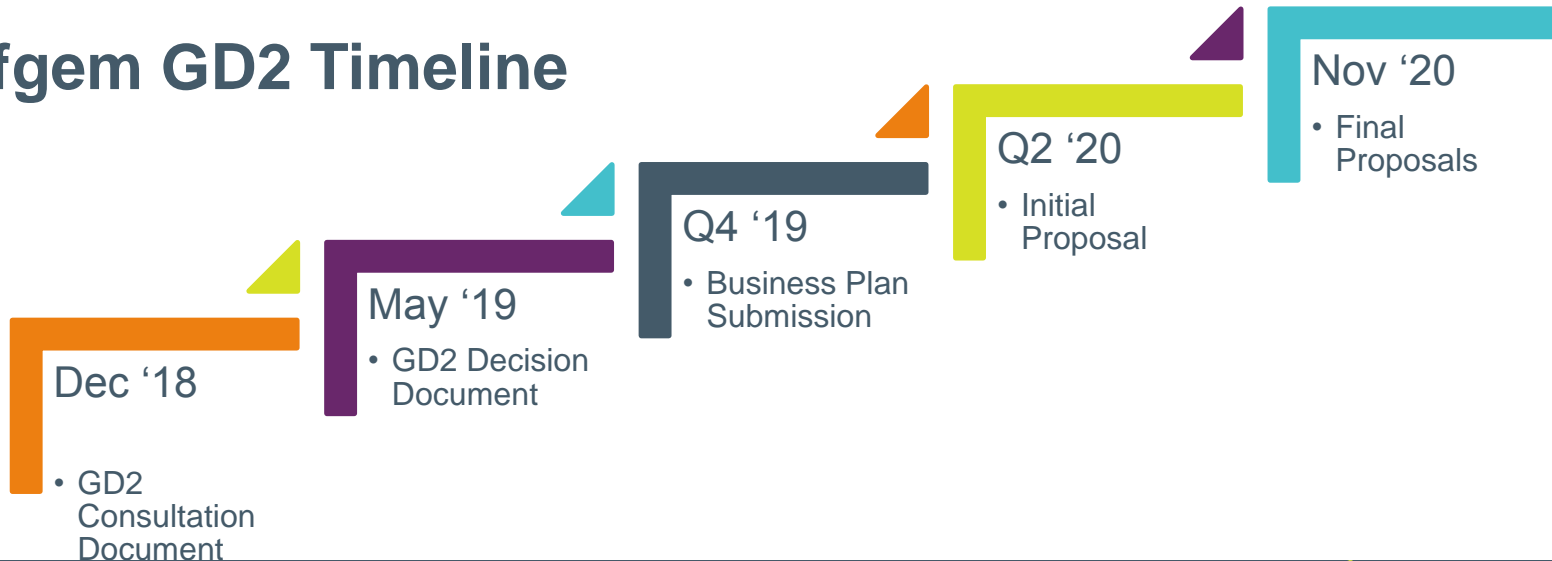
CEG to provide independent report that will be submitted alongside our final business plan

Timelines

Wales & West Utilities Business Planning timeline



Ofgem GD2 Timeline



How you can help us...

What are your views on our business plan?

Challenge our thinking and present new ideas to us

Provide us with views to help us shape our 2021- 2026 business plan

Ask questions – no question is a dumb one!

Comfort break

15 minutes 36



Business Plan – Consumer voice

Sarah Williams
Head of Regulation - RIIO

25 minutes 37

Consumer voice – questions

How well do you think we've engaged with consumers so far?

Let's connect.

PipeUpOnline.co.uk



Have we missed any obvious groups of stakeholders?

Have your say



How do you think we could engage more effectively going forward?

How can the Critical Friends Panel be more involved in 2019?

Business Plan – Fuel of choice

Sarah Williams
Head of Regulation - RIIO

25 minutes 39

Role of gas – current picture

85% of homes use gas for heating

Gas is 75% cheaper than electricity to heat homes

UK government commitment to reduce emissions by 80% by 2050

Green gas is an essential part of the energy mix; least disruptive and lowest cost

We have 19 biomethane plants providing 3 x the energy of the Swansea Bay Tidal Lagoon

180,000 homes in Wales & West Utilities' area are served by green gas so far

Role of gas – future outlook picture

New build homes still forecast to use gas during GD2 c.10,000 pa

UK Government looking at multiple pathways to decarbonise heat no 'silver bullet'

We forecast increased demand from more gas fired power stations who connect to support intermittent renewable electricity

We forecast 20 new biomethane plants to connect to Wales & West Utilities' network in GD2

We need to invest £13m per year to support this move to green gas

Hydrogen is a promising way to heat major cities & decarbonise heat by 30%

642,000 homes in Wales & West Utilities' area forecast to be served by green gas in GD2

This will cost consumers 83p per year by 2026

Role of gas to support green electricity

Around 30% of UK electricity is from renewable sources

When the sun isn't shining or the wind isn't blowing – small gas fired generators provide our electricity

More gas fired power stations will be needed in GD2 to support more intermittent renewable electricity

Storing energy for use when it is needed is essential – the gas network offers this

We need to invest £2m per year to support renewable electricity

Using Batteries to store energy would cost UK £1.65 trillion

This will cost consumers 2p per year by 2026

Fuel of choice – questions



- Do you think we should spend more in order to encourage more green gas to enter our network?
- Supporting green gas will cost 83p per year on the bill by 2025
- Do you think we should spend more to support the greening of the electricity network?
- Supporting green electricity will cost 2p per year on the bill by 2025

Business Plan – Service improvements

Sarah Williams
Head of Regulation - RIIO

25 minutes 44

Improved service proposal- planned interruptions

Planned Interruptions Background & Current Arrangements

- Caused by a programme of work to replace metallic mains with plastic
- Customers are notified in advance with the date, time and expected duration
- On average, a customer can expect a planned interruption once every 50 years
- UK average duration is c.5 hours
- Once the service is replaced with plastic the likelihood of a further interruption is negligible
- We are required to pay compensation if we have not provided 5 days notice
- Our service is measured by CSAT survey
- Customers are not given a confirmed time their gas will be available in their home

Planned Interruptions New Service Measure Proposal

- Customer offered an appointment “window/slot” options
 - **Is this better service than we offer today?**
 - **How would you feel if it caused the overall project to take longer?**
- Customer chooses a slot for their gas to be available to use e.g. 3pm - 6pm
 - **How long should the slot be?**
 - **How would you like to choose your timeslot (with engineering team / website / call to HQ)?**
(Noting the same workforce attend emergencies so it needs to be practical)
- We pay customer compensation for failing to meet the appointment
 - **What level of compensation is proportionate to the inconvenience?**
 - **How much notice would you need for an appointment (2 days, 5 days)?**

Improved service proposal – unplanned interruptions

Unplanned Interruptions Background & Current Arrangements

- Caused by to a leaking service or asset failure
- Customers usually smell gas & report an emergency
- Engineer attends within 1 or 2 hours, prioritise the risk and either fixes the repair immediately or it is programmed for another day
- On average, a customer can expect a planned interruption once in a lifetime (every 260 years)
- Wales & West Utilities average duration is under 8 hours
- We're required to pay compensation if the customer is off gas for more than 24 hours
- Compensation is £30 per pay for domestic customers - we voluntarily doubled this
- Our service is measured by CSAT survey

Unplanned Interruptions New Service Measure Proposal

- Customer compensation paid after a shorter period than 24 hours
- **What length of time off gas seems acceptable before compensation is due?**
- **Should we have seasonal levels of compensation (more in winter, less in summer)?**
- **Would you sanction 24 hour working (noise / disturbance)?**
- Formalising the increase in compensation level for failure above £30 per day
- **What compensation level is proportionate to the inconvenience?**
- **Should compensation be proportional to level of inconvenience (£/hour off gas once trigger point reached)?**

Improved service proposal – complaint resolution

Complaints Background & Current Arrangements

- We have moved away from measuring complaint volumes – our customers tell us prompt resolution is a the priority
- We are required to respond to complaints within 10 days or we pay compensation
- We are financially penalised if we don't meet Ofgem's complaint targets (up to £2m per year)
- Internally we aim to resolve 80% of complaints with one day
- Other companies are looking at alternatives inc. <80% in one day and 60 min resolution

Complaints Our Promises for GD2

- **How does resolving 80% complaints within 1 day compare to your experience with other companies?**
- **Could we relax this standard? If so, what would be acceptable?**
- **Or would you support us spending more money to resolve complaints in 60 minutes? If so why?**

Business Plan – Customer bill

Sarah Williams
Head of Regulation - RIIO

25 minutes 48

Our charges explained

We transport gas through our 35,000km of pipe in our network area, up to your gas meter



We charge your gas supplier for transporting this gas to your home, which is then added to your gas bill

This is paid directly to your gas supplier



Delivering value for money

The average gas bill is £630 per year

Our portion of the bill is 20% an average of £128* per year

Equivalent to 35p per day

Bill breakdown

£37 (28%) funding past capital expenditure

£30 (23%) cost of financing the company

£19 (15% non-controllable and set by the regulator)

£42 (33%) operating the business and within our control

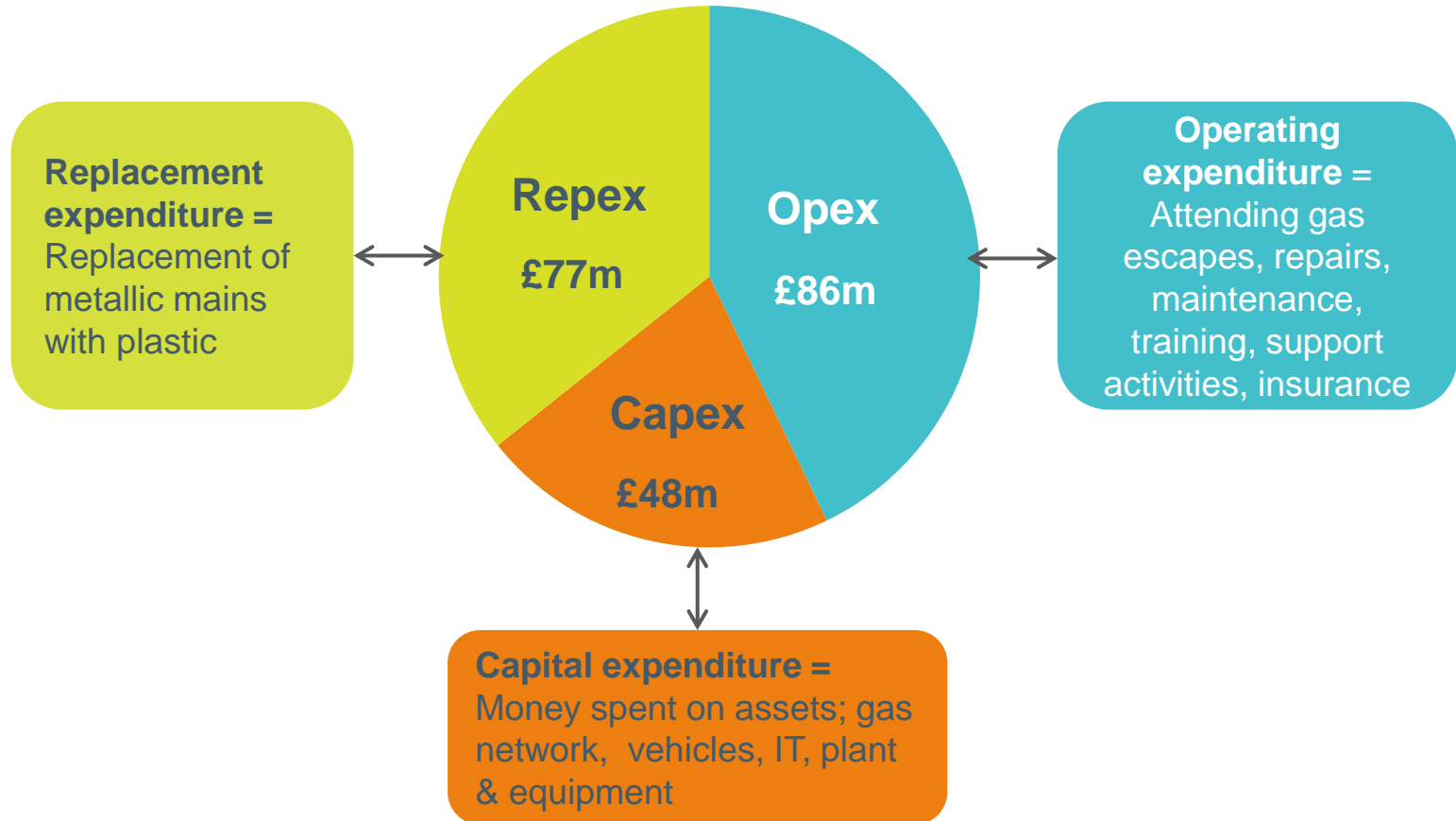
* 2016/17 year

50

Customer bills have reduced from £145* in 2013

How are our costs made up?

Totex = total expenditure £211m



Where should we target our future expenditure?

	Current bill £s	Decrease expenditure	Maintain current expenditure	Increase expenditure
Responding to gas emergencies	£8	Attend in under 2hrs on average	Attend in under 1hr on average	Attend in under 40 mins on average
Repairing & maintaining our assets	£10	Re-connecting your gas supply within 36 hours 90% of time	Re-connecting your gas supply within 24 hours 90% of time	Re-connecting your gas supply within 12 hours 90% of time
Replacing our network	£36 funding past spend <£1 funding in year spend	higher numbers of gas escapes & repairs and an increased likelihood of an incident	Maintaining current safety risk levels with regards to escapes and incidents	Decreasing gas escapes and lowering the likelihood of an incident
Investing for a green future	£0	n/a	Continue to power 127,000 homes by green gas	Powering 642,000 homes by green gas by 2026
Supporting the vulnerable		Minimise support	Continue to work with partners to deliver support services	Wales & West Utilities to deliver additional support
Raising awareness of Carbon Monoxide	7p	Reduce our efforts in raising awareness and provide no CO alarms	Continue to raise awareness & target CO alarm provision	Provide CO alarms for all over a [10] year period

Once we have indicative views we will quantify the cost differences and engage more extensively on the options

Thank you

Any questions?