

Mr D McCombie
Chair of the CEG at WPD

Avonbank
Feeder Road
Bristol
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Our Ref	Your Ref	Extension	Date
CEG1			16 March 2021

Dear Duncan

I would like to thank you for your letter dated 22nd February and to say that I appreciate the work the Customer Engagement Group(CEG) is doing to challenge us to ensure our RIIO-ED2 Business Plan provides the best outcomes possible for our customers and wider stakeholders.

As you say, our first draft Business Plan was published on 27th January 2021 and was subject to an extensive stakeholder consultation exercise in order to refine it based on stakeholders' views. We will also undertake a second consultation following our second draft publication of the Business Plan in March, prior to the third iteration to be submitted to the Ofgem Challenge Group (CG) on 1st July 2021.

Between now and the submission to the CG the opportunity remains for the CEG to continue to challenge us to improve our plan. Whilst our 1st July plan is intended to be as complete as possible there will be an on-going opportunity for changes to the plan as we debate aspects with both the CG and the CEG until the final submission to Ofgem on 1st December 2021.

I welcome the views contained in your letter and feel they are helpful as we progress to finalise our Business Plan. I will now like to respond to the specific views you raise in the order as written:

1. I am pleased that the CEG recognises that our stakeholder engagement has been both comprehensive and inclusive. Our extensive consultation with our stakeholders continues and our commitments will evolve and be refined throughout this process. I think it is important to recognise our second draft Business Plan will reflect a transition from the first draft where we will move from 'playback of stakeholder priorities' to where WPD utilises its detailed knowledge to enhance the core commitments contained in the plan. This knowledge ensures that our stakeholders have a plan which meets their needs, is sustainable and of course remains challenging.

2. As regard to what impact will a stakeholder see by the end of RIIO-ED2 based on our Business Plan. This is a fair question and one that we can only partially answer at this stage as the plan is still in development. At a high level, we aim to ensure that our stakeholders receive excellent customer service as we develop and operate an ever-more smart and flexible network including investing wisely in those things that enable more rapid progress towards net zero - all whilst maintaining the bill at, or around, current levels. When we submit our Business Plan to the CG in July we will be in a position to demonstrate the measurable differences for stakeholders by the end of RIIO-ED2 and to highlight our ambition to ensure that our stakeholders receive an exceptional offering from WPD.
3. I note your views regarding our commitments. We have undertaken workshops with our stakeholders to discuss our strategies in key areas including; customer vulnerability, connections, digitalisation, smart and flexible networks, innovation and environmental sustainability. At these workshops our stakeholders are clearly telling us what they want from us and in many cases challenging us to go further. Overall where there is stakeholder support for more radical and ambitious changes we will embrace this and factor these into our plan. I think that this allows for more 'co-creation' than a plan where WPD sets it all out based solely on its view of ambition.
4. We absolutely recognise the need for justification of the proposed volumes of activity, along with demonstration of the efficiency of our costs, in our RIIO-ED2 plan. We have previously presented to the CEG sub-group our work to date on testing the efficiency of our costs, along with our plans for ongoing work ahead of the July submission. Building our plan bottom up provides the transparency to test all elements of our plan and demonstrate value for money. WPD has always looked to present this in the most meaningful way to our stakeholders and hence we previously presented the subgroup with our proposals on how we will present the bill impact of the various policy and finance decisions to our stakeholders. We welcome the feedback for the CEG sub-group on this as we continue to refine our work ahead of submission to the Challenge Group.

Thank you for your positive comments on access to the business and the positive engagement with my teams. I recognise the important role that the CEG has in assisting us to enhance our plan for RIIO-ED2 and feel that the only way we can truly achieve the best possible plan for WPD will be for my teams to be transparent and react positively to the challenges you pose.

Thank you for your observations and I look forward to continuing the dialogue and indeed the challenge to us!

Yours sincerely,

A handwritten signature in black ink, appearing to read "Phil Swift". The signature is written in a cursive style with a large initial "P" and a long, sweeping underline.

Phil Swift
Chief Executive