



Business Plan 2023 - 2028

SA-07 Supplementary Annex Managing Uncertainty

SA-07 Managing Uncertainty Contents

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1. Introduction

- 1.1. The next regulatory price control review period, known as RIIO-ED2, is a five year period and is the second for electricity distribution to be determined using Ofgem's Revenue = Incentives, Innovation and Outputs framework. This price control period runs from 1st April 2023 to 31st March 2028.
- 1.2. Western Power Distribution (WPD) is required to submit a 200 page main Business Plan document, supplementary annexes, detailed cost tables, financial information and a range of other documents which form our submission under RIIO-ED2 to Ofgem, which will be used to determine allowed revenues for the price control period.
- 1.3. Our RIIO-ED2 Business Plan has been produced and compiled in line with the following key principles:
 - Co-created with our stakeholders and supported by them
 - Our plan – 'prepared with our stakeholders for delivery by us'
 - Aligned with WPD's purpose and values
 - Affordable for all of our customers
 - Sustainable and will enable net zero before 2050
- 1.4. The diagram below (figure SA-07.0) shows the structure of the full Business Plan submission with the red box showing where this document fits into the overall suite of documents.

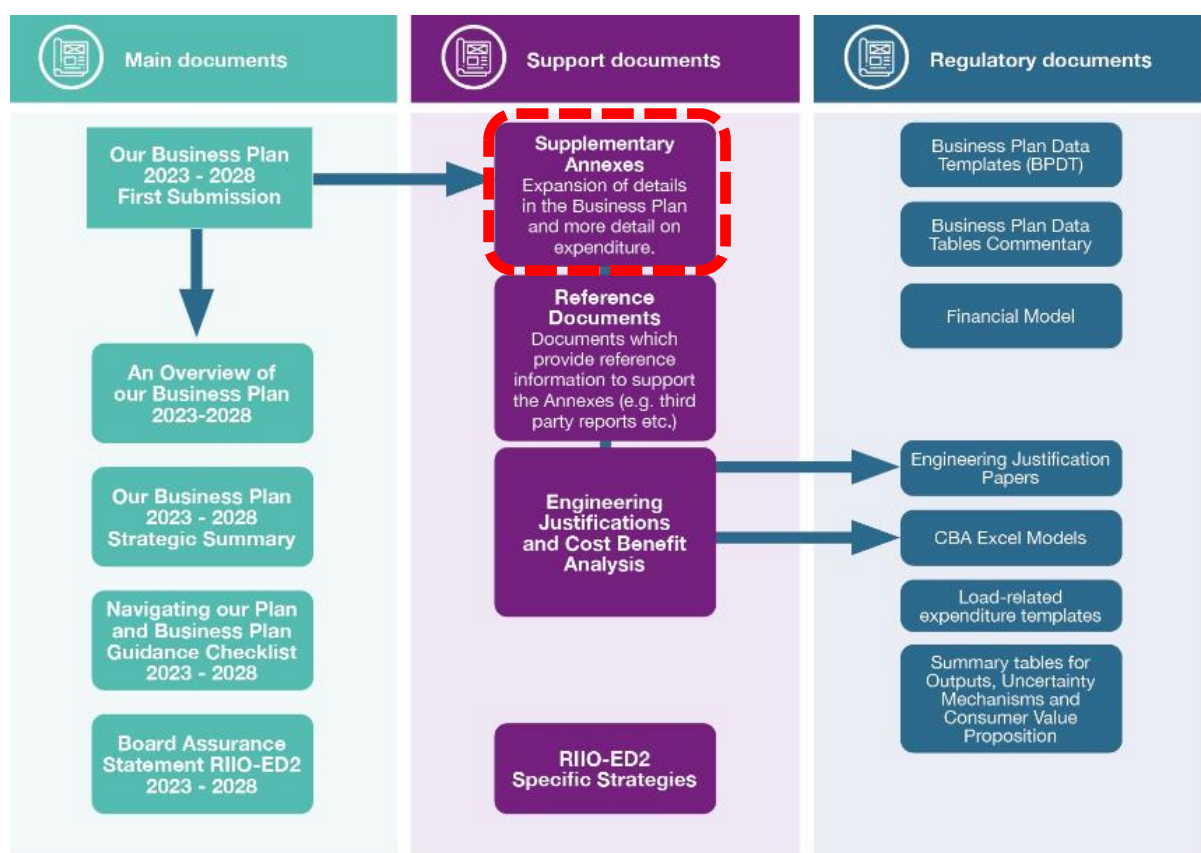


Figure SA-07.0 Business Plan submission structure

- 1.5.** Chapter 7 of Our Business Plan 2023-2028 First Submission details our approach to managing uncertainty during RIIO-ED2. It sets out how we propose to deal with circumstances that are outside of our control which may impact on the investment required on the network.
- 1.6.** This document is a Supplementary Annex to Chapter 7.
- 1.7.** We appreciate that the readers of the WPD RIIO-ED2 Business Plan suite of documents will range from regulatory experts and well informed stakeholders through to new customers who may have had little previous knowledge of WPD.
- 1.8.** This document is aimed at readers who require a more detailed understanding. A less detailed description can be found in the Our Business Plan 2023-2028 First Submission or An Overview of Our Business Plan 2023 – 2028 documents.
- 1.9.** This document is subdivided into the following sections:

Section	Title	Content
2	Uncertainty & Adapting to Change Overview	This section introduces uncertainty and the need to adapt.
3	Uncertainty mechanisms overview	This section describes the uncertainty mechanisms we propose to be used in RIIO-ED2 and potential areas where re-openers may be applied.
4	Adapting to change	This section demonstrates our ability to adapt to situations encountered in RIIO-ED1.
5	Being adaptable	This section shows the model we will use to adapt quickly and effectively to unforeseen circumstances that arise in RIIO-ED2.
6	Appendices	A number of appendices with additional information or containing links to supporting reports and strategies.

2. Uncertainty & adapting to change overview

- 2.1. We recognise the need for WPD's Business Plan to be flexible to adapt to evolving circumstances in an increasingly complex world. While some types of work to manage the network are certain, the absolute volumes of activity could evolve over time. Uncertainty can become apparent due to potential changes in legislation and government policy and unforeseen events such as Covid-19, as experienced in the current price control period.
- 2.2. Uncertainty mechanisms are financial mechanisms that flex the allowed revenue for DNOs, linked to changes in requirements not factored into baseline allowances at the time of setting price controls, protecting both customers and companies from risk.
- 2.3. This annex sets out how uncertainty mechanisms work. It also demonstrates how we will adapt to change.

3. Uncertainty mechanisms overview

- 3.1. Our RIIO-ED2 Business Plan includes costs for which we have robust information to support the volumes of work being proposed. This is based upon assessment of network need and considers historical information, where relevant, and the requirements from comprehensive stakeholder engagement. However, forecasting of workload and costs for a five-year price control will always involve some uncertainty, particularly when the Business Plan is submitted two years before the start of the period. Inevitably things will change between the time of the plan's submission and the end of the period. Many of these changes will not be significant and will therefore require no adjustment to the plan.
- 3.2. Some changes will create more significant variations and these could include:
 - A substantial shift in external policy – for example, changed legislation or government policy.
 - Changes to customer behaviour affecting the amount of work that is being delivered compared to the level originally funded under the price control – for example, levels of electric vehicle or heat pump take-up compared to the forecast.
 - A risk outside of WPD's control – for example, a pandemic.
- 3.3. Although we are well placed to manage the risk to delivery of our plan, some areas of uncertainty call for additional mechanisms because of the external nature of the uncertainty and its potential impact. This is particularly true at present, when distribution networks face growing demands to be flexible as they adapt to changing circumstances in an increasingly complex world. Uncertainty mechanisms allow the revenues of network companies to change in line with changing requirements.
- 3.4. Uncertainty mechanisms can be:
 - Volume driven – where there is uncertainty about the future level of demand.
 - Re-opener mechanism – where the needs case, timing or scope of a project is unclear.
 - Pass through mechanism – where expenditure is entirely outside the company's control.
 - Indexation – where the evolution of prices is unknown.
 - Use-it-or-lose-it (UIOLI) allowance - to adjust allowances where a specific activity has to be done but the costs are uncertain.
- 3.5. Ofgem has included a number of uncertainty mechanisms in the Sector Specific Methodology Decision. This chapter highlights how we propose to use these in our plan.

Reinforcement and strategic investment

- 3.6.** In the period 2023 to 2028 the drive to transform the energy sector, including significant changes in the operation of the energy market and the connection of electric vehicle charging points and heat pumps will clearly bring uncertainties. Although we have every confidence in our forecast, there will always be a level of uncertainty regarding the uptake of new technology by 2028.
- 3.7.** While significant progress has been made in developing forecasting on the distribution network, there is still a greater amount of uncertainty compared to RIIO-ED1.
- 3.8.** In RIIO-ED2, the expected range of outcomes is much wider than envisaged in RIIO-ED1. Whilst WPD has developed its 'Best View' through engagement with a range of stakeholders on their expectations, expenditure under WPD's Best View may have to be increased by 102% to achieve the "Leading the Way" scenario by 2028 or reduced by 45% if a "System Transformation" scenario is followed.
- 3.9.** To enable the RIIO-ED2 price control to deliver sufficient, timely capacity to support decarbonisation, whilst protecting customers from unnecessary or inefficient investment and also maintain a simple and pragmatic regulatory overhead, WPD has proposed a new uncertainty mechanism which we expect to play a larger part of load related expenditure than during RIIO-ED1.
- 3.10.** WPD's baseline plan includes investment upfront to deliver the capacity required under high certainty, but the actual investment required will be driven by national and local government policy, combined with activity in the consumer market. These factors are likely to change during the price control, so load related allowances need to be agile enough, in both directions, to respond to these changes.
- 3.11.** There will be more certainty of the investment in some areas as supported by historical growth, national targets and local area enablers. Using the Distribution Future Energy Scenario (DFES) framework, WPD has identified the volumes and locations of constraints triggering in each scenario and the consequential low regret investment required to accommodate the forecast growth.
- 3.12.** Investment triggered under any of the three net zero compliant scenarios from the DFES within the WPD group area totals £2,269 million, with a split of £904 million resulting from reinforcement of the primary network and £1,365 million across the secondary network.
- 3.13.** Through stakeholder engagement, forecasting and scenario modelling, WPD's Best View has been created, which identifies the most credible and likely growth scenario for each local authority area. This best view reduces the likely investment down to £1123 million, split £478 and £645 million between primary and secondary expenditure respectively.

- 3.14.** Identification of the investment within WPD's Best View which is triggered under all three net zero compliant future energy scenarios (System Transformation, Consumer Transformation and Leading the Way) has led to our "Certainty View" (see figure SA-07.1). The Certainty View is the basis of the cost forecasts which are presented within our Business Plan as the base case for our ex-ante load related expenditure.

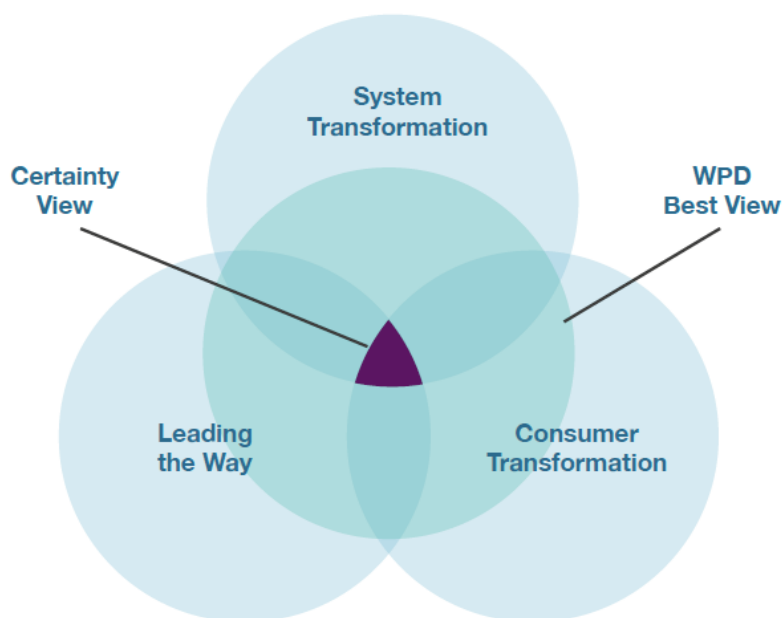


Figure SA-07.1 Graphic showing the relationship between the three net zero compliant DFES scenarios and WPD's Best View and Certainty View

- 3.15.** We propose that the difference in investment required between WPD's Certainty View and the Best View will be funded through Uncertainty Mechanisms (see figure SA-07.2).

Primary	DFES Any Single Scenario	WPD's Best View	Ex-Ante Certainty View (3 Scenarios)	Volume Driver
	£903.8m	£459.7m	£223.8m	£235.9m
Secondary	DFES Any Single Scenario	WPD's Best View	Ex-Ante Certainty View (3 Scenarios)	Volume Driver
	£1365.4m	£635.3m	£398.3m	£237.0m
Total	DFES Any Single Scenario	WPD's Best View	Ex-Ante Certainty View (3 Scenarios)	Volume Driver
	£2269.2m	£1095.0m	£622.1m	£472.9m

Figure SA-07.2 Split of WPD's 'Best View' between ex-ante allowance and volume drivers.

- 3.16.** While the proposed ex-ante allowance being requested under the Certainty View represents investment identifiable now with a high certainty of being triggered during RIIO-ED2, WPD proposes the additional investment will be taken forward through uncertainty mechanisms proposed by WPD.
- 3.17.** In order to balance risk, agility and complexity, WPD is proposing volume drivers be applied to the load related expenditure which will ensure activity anticipated, but uncertain, through the price control can be funded.

Secondary load related expenditure uncertainty mechanism

- 3.18.** On the secondary network, activity to provide additional capacity to users will involve upgrading or installing new high voltage (HV) and low voltage (LV) circuits, as well as upgrading or adding new pole mounted or ground mounted distribution transformers.
- 3.19.** For linear assets we are proposing a volume driver unit aligned to length of asset installed in kilometres, split between LV and HV circuits (see figure SA-07.3). For transformer capacity, we are proposing a measure of capacity added in MVA, split between overhead and underground networks. Flexibility will be measured against the capacity accommodated for one year in MVA. For both of the latter two categories, the capacity released will be measured against the season of peak demand.

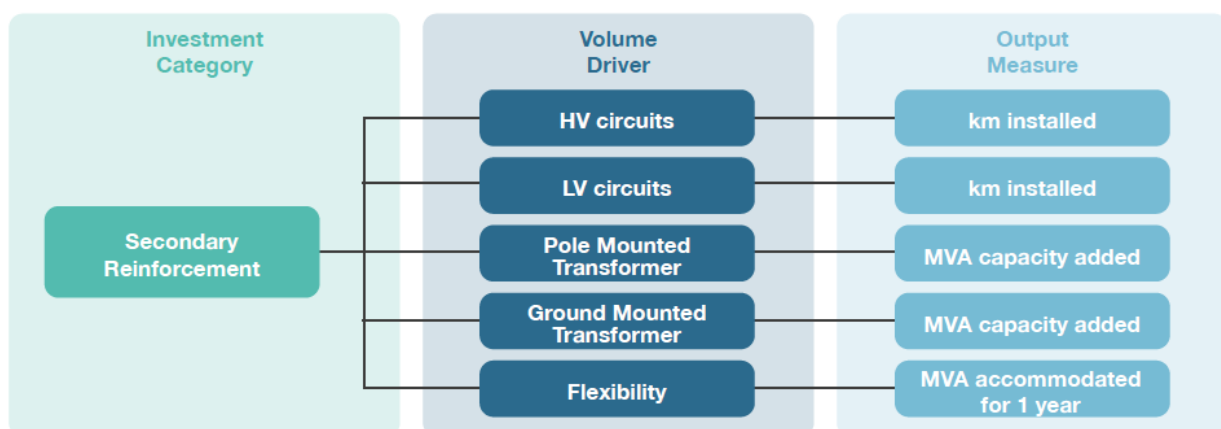


Figure SA-07.3 WPD's secondary reinforcement uncertainty mechanism proposal

- 3.20.** The proposed uncertainty mechanism will be upwards against our ex-ante Certainty View. We will provide annual volumes of activity profiled for the Certainty View across these categories annually, and where volumes are delivered are in excess of those profiles, an annually triggered uncertainty mechanism based on the unit costs and volumes delivered will be applied to adjust allowed recovery upwards.
- 3.21.** The outturn and forecast utilisation metrics will ensure investment within the secondary network is undertaken aligned to system need, taking into account that monitoring and visibility on the secondary network will improve during the price control period.

Primary load related expenditure uncertainty mechanism

- 3.22.** On the primary network, activity involved in providing additional capacity to users will require much more bespoke activity differing across voltage levels and geographic locations. Projects may range between a few hundred thousand pounds through to in excess of £25 million.

Significant progress has been made in RIIO-ED1 to allow primary network investment to be deferred or avoided through flexibility.

- 3.23.** Traditionally, investment has been well justified ahead of the price control and funded ex-ante, with a load related reopener triggered outside of a materiality limit. The scale of potential uncertainty within RIIO-ED2 means this approach is no longer valid.
- 3.24.** WPD has committed to provide Engineering Justification Papers (EJPs) for all load related expenditure above £1 million, demonstrating transparency of the required investment and ensuring there is robust justification.
- 3.25.** As we anticipate the volume and scale of primary reinforcement will be larger than the Certainty View ex-ante allowances, we are proposing the additional primary load related expenditure is also enabled by a volume driver.
- 3.26.** For each project delivered across the primary network above our certainty view which forms the ex-ante funding requirement, we propose the investment will be funded by a volume driver. Different unit costs are proposed for 132kV and EHV, with projects exceeding caps of £6 million for 132kV projects and £4 million for EHV projects being subject to separate assessment (see figure SA-07.4).

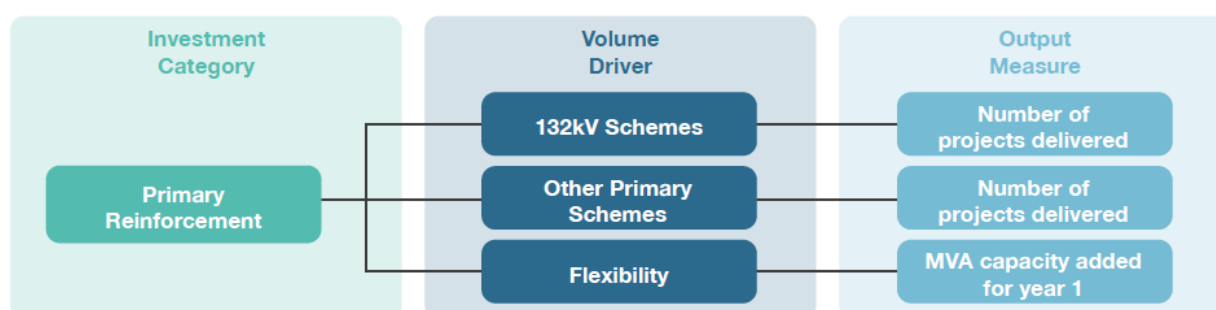


Figure SA-07.4 WPD's primary reinforcement uncertainty mechanism proposal

- 3.27.** Separate unit costs for 132kV associated schemes will be applied where there are 132kV works, with all other schemes being considered as a combined category. Where flexibility is employed, then this will be measured against the capacity accommodated for one year in MVA. Unit costs will be derived from the average project cost as justified in the EJPs outside of the ex-ante Certainty View, but within the WPD Best View.
- 3.28.** The proposed uncertainty mechanism will be upwards against our ex-ante Certainty View. We will provide annual volumes of projects profiled for the Certainty View across these categories annually, and where volumes delivered are in excess of those profiles, an annually triggered uncertainty mechanism based on the unit costs and volumes delivered will be applied to adjust allowed recovery upwards.
- 3.29.** The outturn and forecast load index reporting tables will ensure investment within the primary network is undertaken aligned to system need.

Proactive service reinforcement

- 3.30.** At the most remote ends of our network, LV services were frequently looped together to reduce the cost of servicing multiple properties in close proximity. The rate at which these services will need to be unlooped has been increasing due to the additional notifications we are receiving from the connection of LCTs such as electric vehicles (EVs) and heat pumps. As the DFES predicts in some areas, these will be far reaching, it now should be considered low regret and least cost to proactively and strategically invest in unlooping ahead of need, where this can be achieved to deliver more efficiency than a reactive programme.

- 3.31.** For each unlooped service delivered proactively within a programme, funding will through a volume driver with a unit cost (see figure SA-07.5). No ex-ante provision will be requested against this activity.

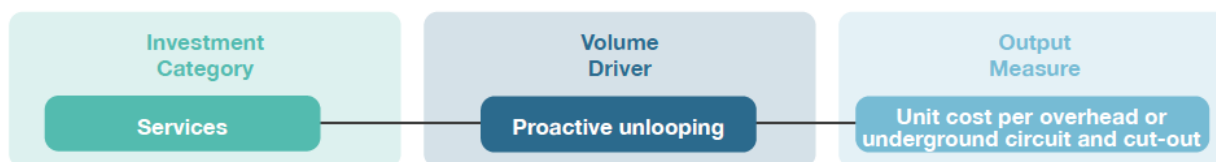


Figure SA-07.5 Services uncertainty mechanism proposal

- 3.32.** The proposed upwards-only uncertainty mechanism will be applied annually.
- 3.33.** For services, secondary and primary network expenditure, WPD proposed to employ a Totex Incentive Mechanism when comparing the ex-ante and uncertainty mechanism driven allowances against actual costs incurred and outputs delivered.
- 3.34.** A 50% sharing factor will be applied to the volumes of activity forecast up to the totals within the WPD Best View. An enhanced sharing factor of 75% will be applied to volumes above the Best View, recognising the stretch target of delivering those additional volumes and further incentivising investment towards the enablement of decarbonisation.
- 3.35.** Please refer to Supplementary Annex SA-06a Load related expenditure for further detail on our overall approach to load-related expenditure and the volume driver proposal

Cyber resilience

- 3.36.** Our baseline plan meets the expectations of our stakeholders by improving the resilience of our network to ever evolving and more frequent forms of cyber-attack.
- 3.37.** The network and Information Systems (NIS) Regulations of 2018 were introduced by the government to increase the overall security and resilience of Operators of Essential Services (OES), such as WPD.
- 3.38.** However, it is recognised that as our networks become increasingly data-enabled, the requirements for delivery of a cyber resilient network will continue to evolve over time.
- 3.39.** In addition to the baseline revenues requested in our plan, and in line with Ofgem proposals, we expect funding for the changing requirements of cyber needs to be covered by the following mechanisms:
- IT baseline allowances will be subject to the Totex Incentive Mechanism (TIM); OT baseline allowances will be subject to UIOLI (Use-it-or-lose- it). If DNOs overspend on UIOLI it is not covered by the TIM, i.e. DNO fund it themselves entirely.
 - There will be outcome based Price Control Deliverables (PCDs) for both cyber resilience IT and OT.
 - There will be a mid-period reopener mechanism for cyber resilience activities; new activities, new risks and threats, new statutory or regulatory requirements
- 3.40.** We will work with Ofgem between now and our final Business Plan submission on 1 December to clarify the process, timelines, and granularity of Ofgem's assessment process.

Other reopener mechanisms

- 3.41.** WPD also expects to have access to the following other re-opener mechanisms in RIIO-ED2 which were outlined by Ofgem in the Sector Specific Methodology Decisions (SSMD):
- 3.42. Net zero reopener** – Ofgem proposed to include a broad scoped RIIO-ED2 re-opener mechanism to provide a means to amend the price control in response to the meeting of the net zero carbon targets that have an effect on the costs and outputs of network licensees not otherwise captured by any other RIIO-ED2 mechanism. The mechanism could be used by Ofgem at any time throughout RIIO-ED2, subject to a materiality threshold, triggered by a government change in policy, for example decision on the future of decarbonised heating, or the recommendations of the proposed Net Zero Advisory Group.
- 3.43. Streetworks** – Our plan includes the costs associated with known streetworks schemes that are already in effect. Our proposal includes the potential to trigger a re-opener where there are significant changes in a Local Authority's proposals for streetworks or Lane Rental schemes, which place additional requirements on DNOs, leading to further costs for delivery of our outputs.
- 3.44. Environmental** - There are a range of environmental issues currently being discussed across government and other relevant bodies, which could potentially lead to changes in environmental legislation. Discussions are ongoing with regards to the treatment of Persistent Organic Pollutants (POPs), Sulphur hexafluoride (SF6) gas, a potential change to the Biocides Directive (use of creosote) and the withdrawal of the Regulatory Position Statements (RPS) 211, which applies to businesses who deal with excavated waste from utilities installation and repair works. All of these potential changes could lead to significant additional costs not captured by our current Business Plan proposals. We consider any changes to relevant environmental legislation should be covered by re-opener for RIIO-ED2. We will continue to work with Ofgem on a proposal ahead of our full December Business Plan submission.
- 3.45. Coordinated Adjustment Mechanism (CAM)** – Ofgem proposed a whole system re-opener called the CAM, to enable more coordination between network companies to maximise benefit across the whole energy system. The proposed annual reopener enables outputs and associated revenues to be reallocated from one network company's price control to another network company. WPD expects this to be triggered where there is a transfer of required outputs in RIIO-ED2.
- 3.46. Physical Site Security Upgrades (PSUP)** - As per Ofgem's proposals for RIIO-T2 and GD2 we propose an uncertainty mechanism be included limited to PSUP-related investments due to changes to government policy and/or the Critical National Infrastructure (CNI) list.
- 3.47. Rail electrification** – Ofgem proposed to retain the RIIO-ED1 reopener that allows DNOs to recover the costs of diverting electricity lines, as a result of Network Rail's electrification programme. We have currently included no certain rail electrification programme in our base plans, but we have identified some potential costs in the East Midlands should the government give the go-ahead to extend the Midland Main Line electrification beyond Market Harborough. We plan to utilise the reopener for these and any other similar programmes across our DNOs that may arise.
- 3.48. Electricity System Restoration (Black Start) (ESR)** – Ofgem proposed a reopener to cover the costs of workload changes in response to changes in the mandatory resilience period or additional activities that may arise from new obligations once the new ESR standard is in place. We do not currently anticipate any such costs, but we support the policy for a reopener should this position change.

Other uncertainty mechanisms

3.49. WPD expects to utilise the following proposed uncertainty mechanisms, a number of which are similar to the proposals in RIIO-ED1:

- **Indexation on real price effects** – Ofgem proposed in the SSMD that RPEs would be indexed for RIIO-ED2. Our proposals on how this would work with our requested Totex proposals is set out in Chapter 6.
- **Other indexation** – The other significant new indexing proposal for RIIO-ED2 is on the indexing of key financial parameters. The Cost of Debt was indexed in RIIO-ED1. Ofgem proposed the Cost of Equity would also be indexed in RIIO-ED2. WPD supports this proposal, subject to further detailed workings. Please refer to our financing chapter, Chapter 6 for further details.
- **Pass through** – Ofgem determined a number of cost items for RIIO-ED1 that were pass through costs as they were not costs outside the DNOs control. These costs included Ofgem licence fee costs, business rates, transmission connection point charges, smart meter communication licence and IT costs, ring-fence costs and costs associated with supplier bad-debt. WPD is proposing that these costs, which remain outside our sphere of influence, will continue as pass through costs in RIIO-ED2.

3.50. In addition to these known uncertainty mechanisms, in its SSMD, Ofgem indicated there may be a requirement for further mechanisms, potentially covering the following areas:

3.51. Distribution System Operator (DSO): We have developed our Business Plan on the premise that WPD will continue to operate as a single company covering both DNO and DSO activities. Our Business Plan sets out proposals for delivery of our outputs in the most efficient way, as a single organisation. Any changes to existing DSO governance arrangements, which could require further separation of functions, systems and/or data would likely incur higher costs than have not been factored into our RIIO-ED2 Business Plan. If Ofgem proposes any changes to the existing licence arrangements for DSO then we agree an uncertainty mechanism should be included in the ED2 proposals to cover any changes in existing arrangements.

3.52. Access Significant Code Review (SCR): Ofgem published its minded-to position on the Access SCR on 30 June 2021. Our Business Plan proposals (submitted to Ofgem on 1 July 2021) have therefore not considered this latest position from Ofgem. WPD will review the proposal from Ofgem and will look to consider the proposal ahead of our December RIIO-ED2 Business Plan submission. However, given the timing of the minded-to position, and the potential timing of the final decision, once we have fully considered the latest Ofgem proposal we will consider the need for an additional uncertainty mechanism in our final RIIO-ED2 Business Plan to reflect the latest position on any Access SCR changes.

3.53. Data and digitalisation: As we progress through RIIO-ED2 we expect the requirements of our stakeholders may evolve, resulting in additional requirements for data provision from our networks. Our Business Plan recognises a large element of this change but as proposed by Ofgem in the SSMD, should there be significant changes in the data or digital requirements of the DNOs, we consider this should be covered by an uncertainty mechanism in RIIO-ED2.

4. Adapting to change

- 4.1. WPD recognises that the UK is experiencing a period of significant change as it works towards a net zero carbon future.
- 4.2. As a key player in net zero, we need to react quickly to implement the appropriate solutions as electricity demand changes, in response to factors including the expected increase in heat pumps and electric vehicles. We also need to react to unforeseen circumstances and ensure that we maintain the excellent service that our customers expect.

Track record

- 4.3. We have a proven track record of adapting to change and unforeseen challenges during RIIO-ED1. In that time, we reacted effectively to a series of changing external demands. These included:
- Responding to high levels of distributed generation enquiries (especially for large solar farms) at the beginning of the price control period.
 - Developing Distribution System Operator (DSO) capabilities and becoming the first Distribution Network Operator (DNO) to publish a fully costed DSO plan.
 - Being the first to publish Distribution Future Energy Scenario (DFES) documents to forecast the regional distribution of Low Carbon Technologies (LCTs).
 - Being the first to commit to a six monthly procurement cycle for flexibility services.
 - Implementing processes for the removal of transformers potentially contaminated with polychlorinated biphenyls (PCBs) to comply with revised environmental directives.
- 4.4. None of these challenges could have been identified at the start of RIIO-ED1 and clearly demonstrate WPD's ability to adapt, react, and, in many cases, be the first to deliver change.

Responding to the Covid-19 pandemic

- 4.5. There is no better example of our ability to adapt than our response to the Covid-19 pandemic. From March 2020, the Covid-19 pandemic had a significant impact on our customers, staff and working practices. We had to adapt quickly to minimise the impact on our operations to ensure we maintained our excellent customer service while operating responsibly and safely.
- 4.6. During the first national lockdown, there was a brief pause in customer-driven works, to protect customers and staff from unnecessary social contact, particularly as much of this work involved entering customers' property. Essential work on restoring power cuts and cutting trees on the network continued and progressively more types of work that could be carried out safely was reintroduced.
- 4.7. In response to the financial hardship experienced by some of our customers, we launched our £1 million 'Community Matters' fund to support vulnerable customer affected by the outbreak.
- 4.8. During the pandemic, WPD quickly implemented the ability for staff to work from home, issuing laptops to staff, increasing the number of remote access servers and introducing software to enable remote meetings and enhanced remote communications with video capability.
- 4.9. Our stakeholder engagement programme had to change to using online workshops as our principal means of delivering sessions. This did not lead to any dip in attendance rates, if anything, we have seen increased stakeholder representation in some instances, from people who found it easier to participate remotely than to attend events in person. As a result we have been able to build a continually refreshed understanding of stakeholder views.
- 4.10. The learning from the Covid-19 pandemic will be used to prepare us for any similar event that may occur in RIIO-ED2, with many of these protocols able to be put into place quickly and effectively should a similar event occur.

5. Being adaptable in RIIO-ED2

5.1. As we enter RIIO-ED2, we will be operating in an even more dynamic energy sector, making our ability to respond quickly to challenges even more critical. This will be particularly relevant to the unpredictable growth of LCTs but also to other events such as changes to environmental legislation or post-COVID requirements.

5.2. To help achieve this, WPD has created a simple model (see figure SA-07.5) to show how we will rapidly adapt to meet the changing needs of our stakeholders and the energy market.

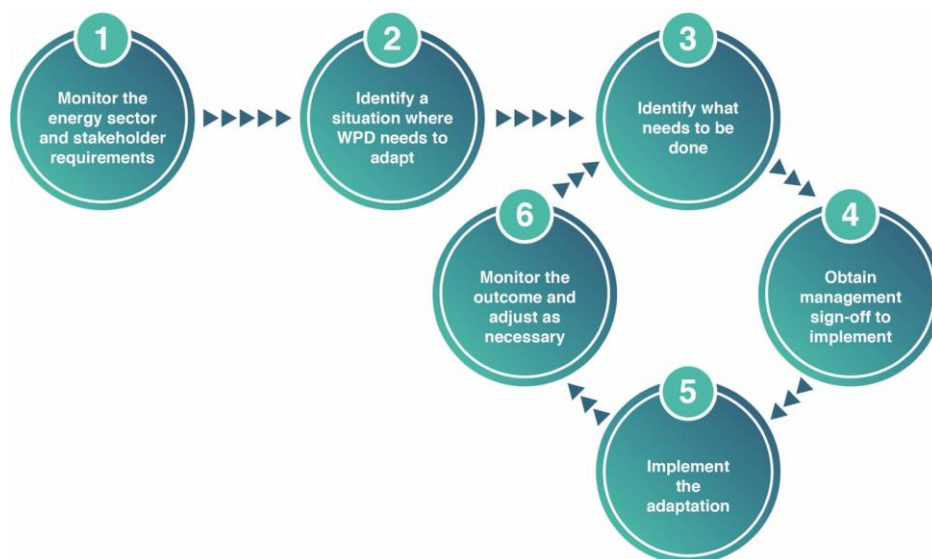


Figure SA-07.5 WPD's Adaptive process

1. Monitor the energy sector and stakeholder requirements.

- We will ensure we are engaged with our stakeholders to understand the changes needed to meet their expectations. This will involve an extensive programme of generic and bespoke stakeholder engagement including annual engagement with local authorities, annual stakeholder workshops, bespoke sessions with connections customers and community energy groups, liaison with government, the regulator and industry groups. We will also need to monitor the outputs from experts across the industry to ensure we can identify emerging trends. WPD already engages extensively in all of these activities and will continue to do so throughout RIIO-ED2.

2. Identify a situation where WPD needs to adapt.

- Staff must be empowered to identify changes which will lead to improvements at WPD. To do this, they must feel able to make a recommendation and see it through. We believe this culture already exists at WPD and that it is supported by our purpose and values.

3. Identify what needs to be done.

- To develop the best solutions to meet the needs of a rapidly changing market, we must continue to recruit and retain the best and most experienced staff. These staff are crucial to enable WPD to adapt and respond effectively to the challenges ahead. This commitment to our staff will continue to be critical as we progress through RIIO-ED2.

4. Obtain management sign-off to implement.

- At WPD, there are only two levels of management between the executive and junior management which means decisions can be made more quickly. All staff have the power to propose changes and solutions which can be actioned within departments, or escalated rapidly to senior level where there are wider implications for the business. The speed of this sign-off is key to our ability to respond quickly and appropriately to changing demands.

5. Implement the adaptation.

- To maximise effectiveness, it is vital that adaptations are actioned as quickly as possible. The consequences of these changes (such as those made to data collection and reporting) should also be addressed at the same time. At WPD, we pride ourselves on adapting to, and delivering on, our stakeholders' expectations which is why we are confident we can continue to implement changes quickly and efficiently during RIIO-ED2.

6. Monitor the outcome and adjust as necessary

- We will continue to engage extensively with stakeholders and to monitor the effectiveness of changes to ensure we've delivered the desired outcomes for our stakeholders. Where processes need to be revised, alternative solutions will be developed as quickly as possible to ensure we create maximum benefit at the earliest opportunity.

These key steps are already in place at WPD. As some parts of the process are informal, we are working to create a more recognised and transparent model that can be used for successful adaptations across WPD. We are confident that we have a culture and capacity that enables us to adapt quickly in response to emerging issues. As an enabler we develop and implement solutions quickly and will continue to keep abreast of changing stakeholder requirements to make sure we uphold our reputation for adapting effectively and efficiently to change.



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