



Consumer Value Proposition

for the RIIO-ED2 price control period

CVP-4: Build decarbonised communities and local energy schemes by funding solar PV on schools in areas of high economic deprivation

Version Control

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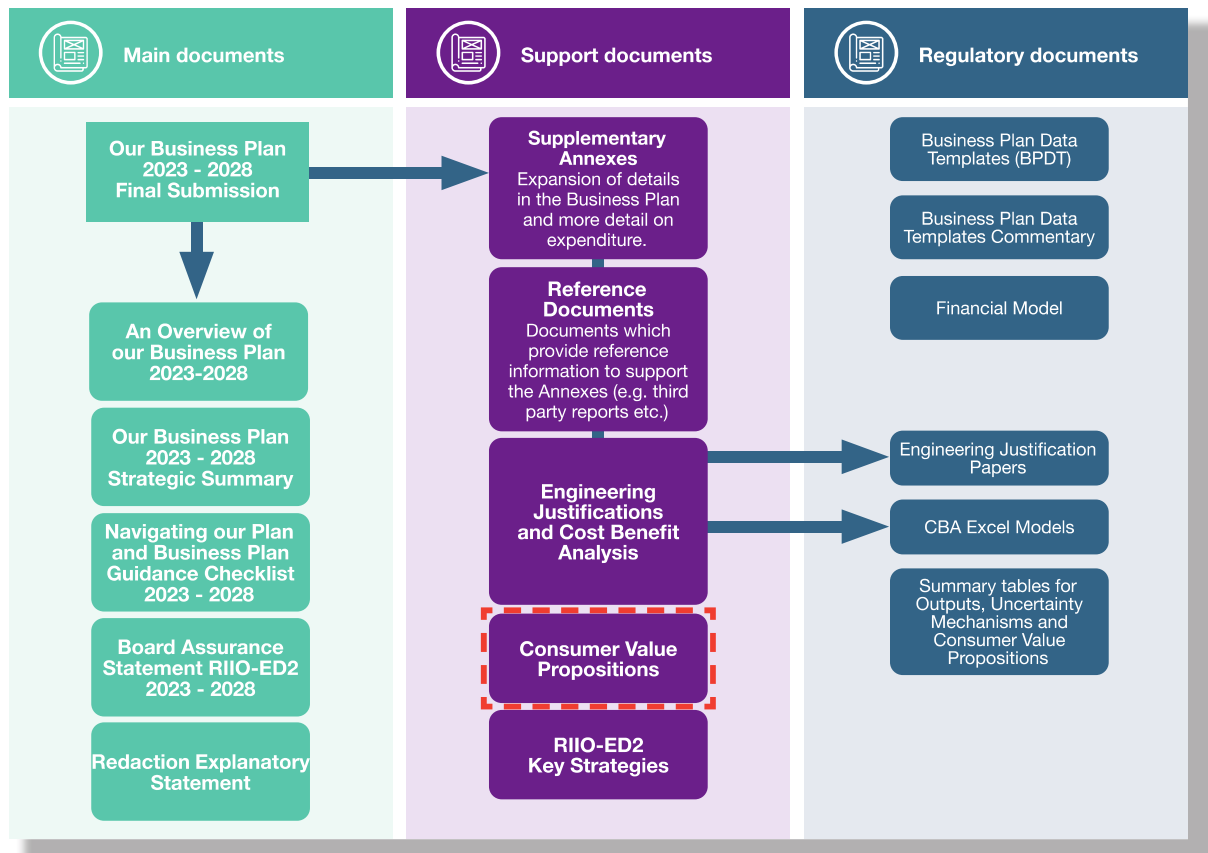
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Navigating our plan

This document is a Consumer Value Proposition which is part of our final submission Business Plan in December 2021 to Ofgem.

The full structure of our submission to Ofgem is shown below.



1. Summary

**45 schools
each year**
to receive solar
panel starter
packages worth
£10,000 each

**Over 200,000
school
children**
engaged through
our educational
sessions

CVP-4

Build decarbonised
communities and
local energy schemes
by funding solar PV
on schools in areas
of high economic
deprivation

**Promoting
STEM
learning**
across our local
areas

**£20.5 million
of benefits**
in RII0-ED2 period
resulting from
financial and
societal impacts

2. Introduction

- 2.1.** In this document we highlight one of the areas where our transformative Business Plan goes above and beyond in order to deliver outstanding services for our customers and/or the environment. The proposal outlined here forms part of our Consumer Value Propositions (CVPs). Our core Business Plan is highly ambitious, comprehensive and stretching and via our CVP proposals we demonstrate where WPD is raising the bar even further for the benefit of our customers.
- 2.2.** Our CVP proposals span a wide spectrum of projects covering many areas of our business: from committing to becoming a net zero company by 2028 to helping our customers reduce their carbon emissions and ensuring that no customers are left behind in accessing the opportunities of the energy system transition.
- 2.3.** While each of our CVP proposals detail stand-alone commitments, they are intrinsically linked and inter-dependent - part of our business wide objectives to deliver excellent customer service, harness the benefits of a smart future, drive industry leading sustainability plans, and prioritise digitalisation and innovation. Our commitments encompass:



- 2.4.** We have followed a robust and transparent approach in identifying and testing our CVP proposals with our stakeholders. This is set out in more detail in Supplementary Annex SA-02: Our commitments. We have co-created everything in our Business Plan with our stakeholders, responding to the most pressing issues and demands of all our customers. We have engaged with more stakeholders than ever during the course of drafting three versions of our plan, and have harnessed stakeholder insight to build and refine our proposals.
- 2.5.** We have sought to cover a range of the categories that Ofgem has indicated as focus areas and have put forward the proposals within these categories that offer the best value to our customers. Our proposals will provide tangible benefits, that we have quantified using a robust methodology. Taken together, our proposals will deliver a combined benefit to customers worth in excess of £75 million, with every proposal delivering a benefit worth at least £3 million.

- 2.6. The CVP forms part of Ofgem's Business Plan Incentive (BPI). The CVPs set out in our Business Plan represent important commitments to our customers that we will deliver within RIIO-ED2, subject to the approval of efficient cost allowances by Ofgem (except where shareholder funding is part of the commitment). Delivery of these proposals is not contingent on receiving a reward under Ofgem's Business Plan Incentive, the objective of which is not to fund specific DNO activities but instead to encourage DNOs to develop high quality and stretching Business Plans and to make rewards available where the relevant criteria are met. We believe that we have risen to this challenge, proposing a package of schemes across a range of areas of activity that demonstrate where we will go 'above and beyond' on behalf of our customers.
- 2.7. This document sets out the detail of one of our CVP proposals: ***CVP-4: Build decarbonised communities and local energy schemes by funding solar PV on schools in areas of high economic deprivation.***

What this Consumer Value Proposition includes

- 2.8. Supporting vulnerable customers is a key priority in our Business Plan. We are in a unique position to be able to provide our customers with the knowledge and tools to enable them to benefit from low carbon technologies (LCTs). At the same time we want to make sure no one is left behind as part of the energy transition. This document explains how this proposal goes beyond our core Business Plan commitments relating to customers in vulnerable situations and the environment.
- 2.9. Reflecting the feedback we received on the first submission Business Plan that we published in July 2021, we have updated our proposal in the following ways:
- We have set out clearly why we believe WPD is best-placed to deliver the initiative.
 - We have clarified the ways in which the proposal delivers beyond Business as Usual and Ofgem's baseline expectations.
 - We have updated the way we have calculated the benefits that will arise from delivery of the proposal and how we will track the delivery of benefits during RIIO-ED2 (these updates are described in more detail in Section 4).
 - We have reflected the latest stakeholder views on our proposal.
 - We have clarified how the proposal fits into the wider Business Plan and made readability improvements.
- 2.10. The rest of the document is structured in the following sections:
- **Section 1.**
 - **Our proposal:** describing what this CVP is about, explaining how it complies with Ofgem's criteria and setting out why WPD is best placed to deliver it.
 - **Section 4. Benefits generated by our proposal:** setting out how we have calculated the additional value that our proposal will deliver to customers.
 - **Section 5. Stakeholder support:** explaining how this initiative addresses priorities raised by our customers.
 - **Section 6. Accountability for delivery:** defining what the key outputs are and what WPD proposes if outputs are not delivered.
 - **Section 7. Eligibility checklist:** confirming how this CVP addresses Ofgem's CVP eligibility criteria.
 - **Section 8. Appendix: Joint Social Value Framework:** setting out how we, together with the other DNOs, have agreed a framework to quantify the benefits delivered by CVP proposals.

3. Our proposal

3.1. In this section, we will explain the following aspects of the proposal:

- Background to this initiative.
- What we are proposing.
- Why WPD is best placed to deliver this proposal
- How our proposal delivers beyond expectations.
- Our delivery plan.

Background

- 3.2.** As a business, we are fully committed to driving the transition to a net zero economy in the UK. The uptake of LCTs across our customer base will play an essential part in this. While we set out in our Business Plan and Environmental Action Plan (EAP) our commitments to become a net zero business by 2028, this CVP will enable the wider delivery of net zero in our region, by assisting the decarbonisation of our local communities.
- 3.3.** We must ensure that vulnerable customers are supported navigate the rapidly changing energy landscape. We are clear that the transition to a greener, smarter energy system must be inclusive, so that all customers can benefit from the opportunities this brings.
- 3.4.** This initiative is a clear example of our approach to regional decarbonisation that maximises the value generated for our communities. We are proposing additional support for schools in areas which could be at risk of falling behind in the energy system transition, ensuring that barriers to their participation are removed. This proposal goes beyond simply providing financial support, proactively targeting communities who may be less able to access more sustainable energy options to ensure they can engage in the net zero transition.

What we are proposing

- 3.5.** Under this proposal, we will engage with schools in areas of high economic deprivation to support them to install solar Photovoltaic (PV) equipment at their premises, supporting them to increase their energy efficiency and reduce their energy bills.
- 3.6.** We are proposing the provision of a solar PV starter pack worth £10,000 through an expert partner, alongside a bespoke educational programme to engage students in decarbonisation and Science, Technology, Engineering and Maths (STEM) pathways. This package, which will be funded by our shareholders, will result in immediate benefits for schools arising from energy savings:
- Each starter pack allows for the installation of 30 solar panels.
 - This would facilitate an installed capacity of 10kW, generating approximately 10MWh – dependant on the specific region where the panels are installed.
 - The £10,000 starter pack will incorporate a maintenance budget covering a two-year period. We will also fund an additional £2,000 per school to cover reactive maintenance for the following 8 years.
- 3.7.** The energy savings made by schools will be generated from both the implicit savings due to the schools' own production of energy, in addition to benefits arising from behavioural changes.

- 3.8. Further benefits will be created by the educational activities that will be delivered at schools, facilitated by the educational materials provided alongside the solar PV starter pack. These will be achieved by leveraging WPD's experience in delivering a range of educational initiatives, to promote STEM and decarbonisation learning activities among the local students.
- 3.9. According to the criteria set out by Ofgem in relation to the submission of CVP initiatives, we believe that this initiative would sit within the category of "*Proposals that demonstrate approaches to providing services to vulnerable consumers that clearly go beyond the baseline expectations*" in relation to the specific support to be provided to schools.
- 3.10. Additionally, the initiative could be classified under "*Proposals that exceed the baseline expectations set out for Environmental Action Plans*" due to the expected outcome of reducing the carbon footprint of these schools.

Why WPD is best placed to deliver this proposal

- 3.11. We believe that WPD is best placed to deliver this proposal as:
- Our regionally-based teams have detailed local knowledge of the communities we serve, which will help us to identify the right locations to focus on. Furthermore, our social indicator mapping, already used widely within WPD and by our local partners to identify and target areas of vulnerability and fuel poverty, will enable us to effectively identify the areas that should be prioritised. Layering datasets through this mapping provides a picture of geographical areas with potentially high levels of vulnerability and fuel poverty, and we are confident that we can expand its use to identify schools who would benefit from our support.
 - Our experience running the largest distribution network in the UK means that we have the technical expertise to effectively deliver the installation of solar PV on schools. This will ensure that schools receive the level of support needed to get up and running and then realise the benefits of the installation.
 - We have a proven track record of delivering high-quality, impactful educational programmes to schools (though this proposal represents a clear step up in our activity to date), as demonstrated by the safety education material that we have delivered to schoolchildren throughout RIIO-ED1. We will build upon our experience to successfully deliver this CVP.
 - We are well-placed to act as a trusted intermediary, with extensive experience of engaging with local stakeholders and community energy groups in our region to deliver outcomes that benefit customers.
- 3.12. Crucially, this is a proposal that delivers our stakeholders' priorities, and that they strongly support. As set out in Section 5 below, more than two thirds of the stakeholders at our most recent engagement workshop felt that WPD is best placed to deliver this proposal.

How our proposal delivers beyond expectations

How WPD is doing something different to BAU activities

- 3.13. WPD's current activities in this area are focused on providing relevant support and information to vulnerable and fuel poor customers through our network of referral partners. We also support community energy groups seeking to connect low carbon generation to the network.
- 3.14. This initiative far exceeds our current activity. By supporting customers who could be at risk of falling behind in the energy system transition in the adoption of LCTs, we are proactively ensuring our communities are able to realise regional decarbonisation ambitions and are not left behind by the transition to net zero. Our proposal to provide solar PV starter packs to schools in

areas of high economic deprivation represents a completely new and ambitious activity for WPD, while still building on, and leveraging, our existing expertise

How WPD will go beyond RIIO-ED2 baseline expectations

- 3.15.** Baseline expectations for vulnerable customers and our Environmental Action Plan are set out in the RIIO-ED2 Business Plan Guidance.
- 3.16.** Within this guidance there are baseline expectations specifically related to the identification of blockers to participating in a smart, flexible energy system. These baseline expectations are that we will:
- Have an extensive network of partnerships with a range of organisation types, from multiple sectors including other utilities.
 - Make use of referral channels and signposting support for customers.
 - Be involved in two-way flow partnerships supporting vulnerable customers, in line with the companies' understanding of social issues in their region.
 - Have a clear process for identifying which partnerships are likely to be most effective at delivering benefits through co-operative working.
- 3.17.** Ofgem has further specified three primary areas of focus for DNOs' vulnerability strategies in RIIO-ED2.¹ These are: (i) vulnerability to a loss of supply, (ii) being in or at risk of fuel poverty and (iii) the risk of being left behind by the energy system transition towards net zero. We believe that this proposal is clearly in line with priorities (ii) and (iii), whilst also exceeding the specific requirements that have been laid out. In particular, by identifying and focusing our efforts on schools situated in areas of high economic deprivation, we will be able to effectively target our support to customers in our region who are most likely to face barriers to participation in the energy system transition.
- 3.18.** The Business Plan Guidance also sets out baseline expectations in relation to Environmental Action Plans. This initiative will generate additional environmental benefits beyond those covered by WPD's Environmental Action Plan and will support the wider net zero transition by enabling vulnerable customers to adopt LCTs earlier than they would have been able to otherwise.
- 3.19.** This CVP entails activities that go beyond these baseline expectations due to the following reasons:
- Delivery of solar panels to schools in areas of high economic deprivation will involve WPD playing a much more proactive role, far beyond simply signposting support for customers, this CVP will provide direct assistance to schools in areas where fuel poverty is more prevalent and where there is a higher risk of being left behind by the energy system transition. Therefore, this is an initiative we strongly believe surpasses baseline expectations for vulnerable customers.
 - Adoption of LCT systems by our customers does not contribute directly to the reduction of our own Business Carbon Footprint (BCF). Hence, any actions supporting the reduction of our customers' carbon footprint goes beyond baseline expectations for EAPs.
 - Furthermore, this initiative will actively promote the education of local students in environment, sustainability STEM topics. This type of social engagement with local communities is aimed at promoting awareness of the importance of decarbonisation among the next generation of customers who will be crucial in driving the UK's transition to net

¹ [RIIO-ED2 Methodology Decision: Annex 1 - Delivering value for money services for consumers](#), paragraph 6.6

zero. This will result in long-term benefits across local communities. However, this is not included as one of the baseline expectations for EAPs in RIIO-ED2, and therefore exceeds these.

Our delivery plan

- 3.20.** WPD has a clear understanding of what success would look like in relation to this initiative. Delivery will be measured against the following targets:
- Number of schools supported with a solar PV and education package: **45 schools per year.**
 - Number of students attending our partnered schools: **about 205,000 students over 5 years.**
- 3.21.** We intend to work with a mixture of primary and secondary schools. Priority will be given to those schools located in areas of high economic deprivation as identified by our social indicator mapping tool and network of locally based teams. Additionally, as we progress through RIIO-ED2 delivering this scheme, we will consider how we can leverage our relationships with the schools that we work with to raise awareness of our Priority Services Register.
- 3.22.** We will monitor the success of the programme by seeking feedback from the schools that we work with. We will gather feedback on the direct savings that they are able to realise as a result of the PV installation as well as on the delivery of the associated educational programme.
- 3.23.** This initiative would start from Year 1 of RIIO-ED2, i.e. from 2023 and would span all the years within this period.

4. Benefits generated by our proposal

Results of quantification

5 and 10-year results

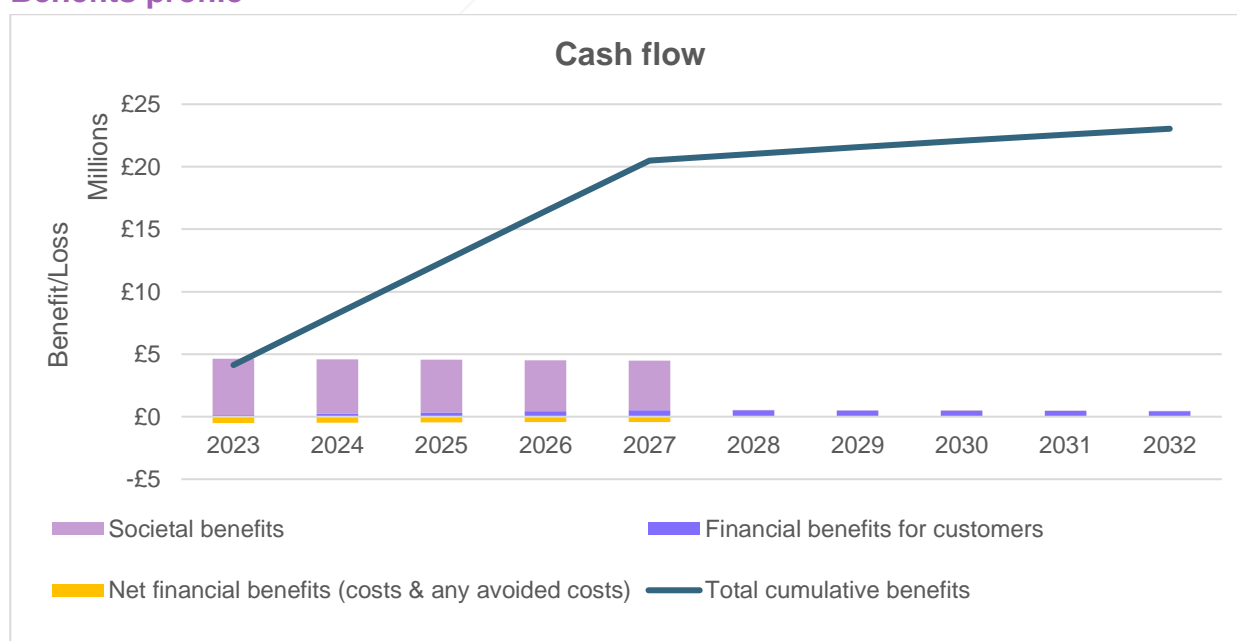
4.1. In line with the joint social value framework, agreed with the five other DNOs and shared with Ofgem in 2020, we have modelled the benefits of this CVP over both a 5 and 10-year appraisal period. More detail on the joint social value framework can be found in Section 8.

4.2. The table below provides the following results from our analysis:

- **Total cost:** The total cost of the proposal, in 2020/21 prices (in line with Ofgem's CBA templates).²
- **Total gross present value:** The total value generated by the proposal across financial, environmental, and societal benefits – discounted to present values.
- **NPV – Net present value:** The total value generated by the proposal, net of all costs – again discounted to present values.
- **SROI – Social return on investment:** The £s of benefit achieved for every £ spent.

	5-years	10-years
Total cost	£2,281,635.34	£2,281,635.34
Total gross present value	£22,781,056.32	£25,320,942.01
NPV	£20,499,420.98	£23,039,306.67
SROI	£8.98	£10.10

Benefits profile



² As per the discounting applied to all costs and benefits, this figure shows the present value of costs in 2020/21 prices. The values described in the costs section below are expressed in nominal values, i.e. the actual £ prices. For this CVP, the total undiscounted cost is £2.7 million.

Breakdown of benefits

4.3. Financial Benefits. The solar PV starter pack provided to schools will generate financial benefits in the form of avoided costs from reduced electricity bills. These reductions will come from:

- Generation of energy from PV arrays that result in an avoided cost each year.
- Reduction in energy consumption, achieved through behaviour change as a result of having solar panels installed in the schools and tracking the amount of energy they generate. We have modelled these as similar to having a smart meter installed.

4.4. Societal Benefits.

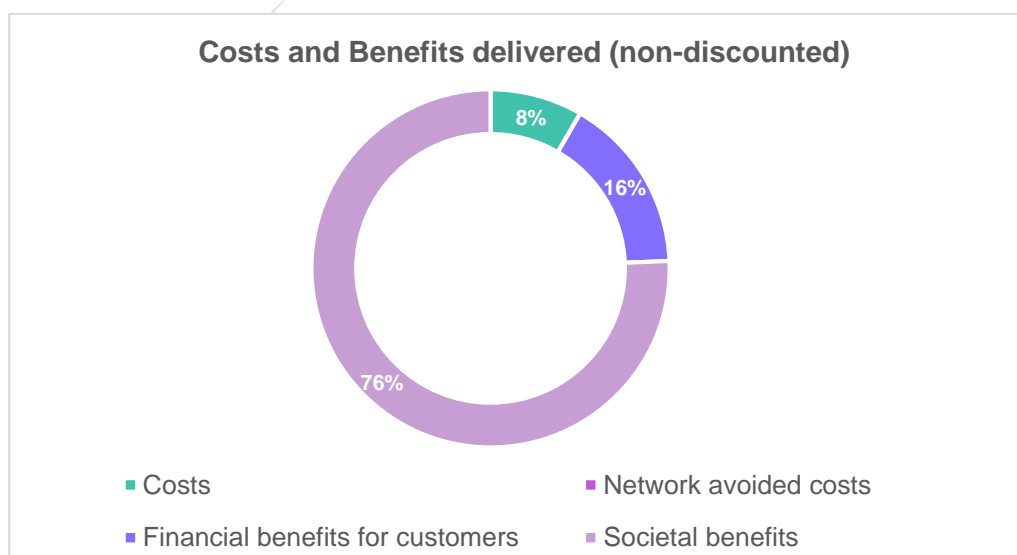
- Carbon emissions: The solar PV starter pack provided to schools will deliver environmental benefits through carbon emissions saved, when comparing the grid emissions factor against that of energy produced via the PV arrays. The reduced consumption through behavioural changes will also deliver carbon savings.
- STEM Education: The solar PV starter packs will allow schools to promote STEM and decarbonisation learning activities with a practical focus.

Distributional impact

4.5. In line with the breakdown above, this CVP delivers benefits for:

- Schools, who will see a reduction in electricity bills due to the on-site generation capability.
- School pupils, who will benefit from a better understanding about renewable energy and promoted STEM learning.
- WPD's customers who will benefit from the reduction in emissions as a result of the electricity generated and reduction in consumption.

4.6. The chart below visualises this distribution, demonstrating the scale of costs and benefits that fall in each category.



Approach to quantifying

Costs

- 4.7. The starter pack will cost an estimate of £10,000 and it will include approx. 30 panels, an installed capacity of 10kW and an estimated generation of between 10,200 kWh (Midlands) and 10,800kWh (South West).
- 4.8. An additional maintenance cost of £2,000 is estimated to cover any reactive maintenance required after the warranty period, up to 10 years after installation.
- 4.9. The total cost per year for 45 schools will be £540,000.

Number of stakeholders

- 4.10. For this model, the number of stakeholders relates to the number of schools. This CVP will target to support 45 schools per year, using data mapping to target those in areas of high economic deprivation.

Approach to quantifying financial benefits

Calculations and assumptions

Solar generation:

- Starter pack capacity for generation: 10,200 kWh per year.
- UK electricity cost (2020) = £0.174/kWh.
- Saved electricity cost per year per school:
 - $£0.174/\text{kWh} * 10,200 \text{ kWh} = £1,774.80$ saved per school per year.
- No lag for benefits was considered as the starter packs should be installed within the year.
- Assumed benefits last for 10 years, without additional maintenance costs. The benefits may continue after this period; however, we have not included these as they would require further investment from WPD or the school.

Behavioural changes:

- Average yearly bill in schools (2012) = £27,000 per year.
- Electricity cost UK (2012) = £0.13/kWh.
- Average yearly consumption in schools = $£27,000 / £0.13/\text{kWh} = 207.7\text{MWh} / \text{year}$.
- As a proxy for behavioural changes and the awareness this will bring to the schools, we have taken the expected % of reduction in consumption after a smart meter installation.
- % reduction in consumption due to smart meter for non-domestic: 2.8%.
- $2.8\% * (207.7 \text{ MWh/year} - 10.2\text{MWh/year}) = 5.5\text{MWh/year}$.
- Electricity cost UK (2020) = £0.174/kWh.
- $5.5\text{MWh/year} * £174/\text{MWh} = \textbf{£957 per school per year}$.

Calculation factors

Solar generation:

- Success: 100%, expected that WPD will install panels in all targeted schools.
- Drop off: 0%, since we don't expect the benefits to reduce over time.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits would not be achieved without WPD's activity.
- Optimism Bias: 0%, as generation estimates have been provided specifically for WPD's area, as generation estimates have been provided specifically for WPD's area.

Behavioural changes:

- Success: 100%, expected that all schools will reduce consumption.
- Drop off: 0%, since we don't expect the benefits to reduce over time.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 15%, since some sources date to 2012.

Sources

- Average yearly bill in schools: Department for Education, Top Tips for Sustainability in Schools, 2012.
- Average electricity cost: DBEI, Average variable unit costs and fixed costs for electricity for UK regions Annual Data 2020 (2021).
- Generation capacity: Natural Generation estimates.
- % reduction in electricity consumption from smart meter use: DBEI, Smart Meter Rollout Cost-Benefit Analysis Part II – Technical annex (2016).

Approach to Quantifying Societal Benefits

Calculations and Assumptions

Carbon emissions:

- Carbon emission savings were calculated both for the solar energy generation and the reduction in consumption due to behavioural changes.
- For the solar generation, we used an emissions factor for solar PV (rooftop) of 42g CO₂e/kWh.
- For the reduction in consumption, we used the UK grid emissions factors as per Ofgem's CBA template.
- In both cases we used the traded carbon values as per Ofgem's CBA template.
- This resulted in £332k savings over the 10-year period (non-discounted).

Bespoke Social Value Research:

- We considered 7.9 million households as stakeholders in the model.
- Willingness to Pay research conducted in October 2021 reviewed the following attribute: "Fund education relating to solar power and the wider Net zero transition for schools in areas of high economic deprivation".
- The result was £0.57 for the 85th percentile, which represents the value supported by 85% of the customer base.
- Over the 5-year period this led to £24.1m in value (non-discounted).

Calculation Factors

Carbon emissions:

- Success: 100%, since it is expected all schools will benefit.
- Drop off: 0%, since we don't expect the benefits to reduce over time.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 15% for those related to behavioural changes, since some sources date to 2012. We used 0% for those related to the installation of the solar panels.

Bespoke Social Value Research:

- Success: 100%, since it applies to all customers.
- Drop off: 0%, since we don't expect the benefits to reduce over time.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 0%, since research is recent.

Sources

- WTP value: Accent and PJM Economics, Western Power Distribution RII0-ED2 WTP Final Report, October 2021.
- Carbon prices and electricity conversion factors: Ofgem CBA Template v6.0.

Changes from July's draft calculations

4.11. The results shown in this document represent the best estimate of the benefits that will be achieved through this CVP with the information available at this time. To achieve this, we have made a few changes from our previous submission which are detailed below:

- We updated the Willingness To Pay (WTP) value used to estimate the benefits of STEM education. In our previous draft we used a WTP value from 2019 research of £0.71 (mean WTP at average annual electricity bill) which didn't specify the type and level of activity that will be delivered in this CVP. Because of this, we had to use a percentage of that WTP

value by estimating the number of schoolchildren that we would target based on the number of schools and divide it over the total number of schoolchildren in WPDs area, which was estimated to be only 5%.

- The attribute used in this latest benefit calculation is specific to the activity to be delivered and the number of schools targeted. It represents the most recent value tested with customers specifically for the purposes of assessing the impact of this initiative (this also aligns with one of the recommendations of the audit on the DNO Social Value Framework). As a result, the benefits increased by over £19m in net present value.
- We have decided to use the 85th percentile value for WTP (in that 85% of customers would support paying at least this value for the initiative) which is equal to £0.57. By doing so, we ensure we are using the most conservative estimate possible, supported by a significant percentage of customers.
- Regarding the recommendations provided as a result of the audit on the DNO Social Value Framework, we have clarified that the proxy used for the benefits associated to behavioural changes relates to non-domestic properties (this is the average % savings following the installation of a smart meter). We have also clarified that the optimism bias used for these benefits is 15% to account for older proxies, however the optimism bias used for the solar generation benefit remains at 0% since the proxy used to estimate generation capacity was obtained through an expert partner and is specific to WPD's areas.
- Finally, we updated the traded carbon cost according to Ofgem's latest CBA template.

Monitoring Social Value during RIIO-ED2

4.12. The quantification work shown in this document will provide a structured approach for tracking the benefits we are delivering during RIIO-ED2 and help us compare the value to what we have forecasted. To monitor the delivery of benefits for this CVP, we will track the following:

- The number of schools that have installed a solar panel starter pack.
- The number of children that have completed the STEM education programme in each school.
- The actual reduction in bills for each school, through electricity generation and behavioural changes. We will also try to assess how long those savings will last.
- The success of the STEM education programme, through targeted surveys before and after our intervention.
- Any additional benefits we have not considered as part of this evaluation.

4.13. We will use the information we collect to monitor how we are performing against the forecasted benefits. Whenever there is a difference between benefits delivered and those forecasted, we will make it clear if this is because of a change in delivery or an update in the modelling approach (e.g., revised proxy values). This will ensure we are allowing for comparison of values in a like-for-like basis, while also keeping the modelling of benefits as accurate as possible.

5. Stakeholder support

Feedback from stakeholders

- 5.1. We have engaged closely with stakeholders throughout the development of our Business Plan to make sure their needs and preferences are reflected. When putting together our Business Plan for this regulatory period, we engaged more stakeholders than ever before – providing them with the opportunity to start with a ‘blank sheet of paper’ to define our plans from scratch. We set out in Supplementary Annex SA-05: Giving customers a stronger voice - Enhanced engagement and Supplementary Annex SA-02a: Our commitments – Justification analysis how we have engaged with stakeholders and how this has helped to shape our plan. The specific feedback we received from stakeholders that is relevant to this proposal is set out below.
- 5.2. In our engagement, 99% of stakeholders supported the idea of WPD taking a leading role in a coordinated approach to share best practice and co-deliver schemes to ensure vulnerable customers are not left behind by the smart energy transition.
- 5.3. In September 2021, we sought feedback on this CVP at a stakeholder event, which was attended by customers and customer representative groups, local authorities, community energy groups and charities from across our four licence areas. Of the stakeholders at this event, 70% ‘agreed’ or ‘strongly agreed’ that WPD was best placed to deliver this proposal. 80% of stakeholders at the event said that they ‘agreed’ or ‘strongly agreed’ that the proposal was acceptable, whereas only 5% of stakeholders said that the proposal was not acceptable.
- 5.4. In the development of this Business Plan, stakeholders also expressed views that high LCT uptake is essential in the RIIO-ED2 period for the UK to successfully achieve a transition to net zero as early as possible. More generally, stakeholders were keen to see WPD facilitate LCT connections and make this as easy as possible for customers. In relation to this, 72% of stakeholders expected higher ambition from WPD, with 62% supporting WPD to “*connect 6% higher than the national average*”.

Supporting our Business Plan

- 5.5. This proposal is fully consistent with and contributes directly to the core commitments that WPD has put forward as part of this Business Plan. The plan sets out our commitment to **meeting the needs of our customers and network users** as one of the three high-level output categories for RIIO-ED2. Our overarching commitment in this category is to deliver a high quality and reliable service to all network users and consumers, including those that are in vulnerable situations.
- 5.6. This initiative relates to the following core and wider Business Plan commitments, which set out at a more detailed level how we intend to deliver for our customers in RIIO-ED2. Further details on these commitments can be found in Supplementary Annex SA-02: Our commitments.

Meeting the needs of our consumers and network users

Core Commitment 25	Build decarbonised communities and local energy schemes by providing £540,000 shareholder funded support per year to install solar PV on schools in areas of high economic deprivation.
Wider Commitment	Take a leading role in a coordinated approach with a range of industry participants (including funding for collaborations with community energy stakeholders) to share best practice and co-deliver schemes to ensure vulnerable customers are not left behind by the smart energy transition.

6. Accountability for delivery

What happens if outputs are not delivered

- 6.1. We are committed to deliver this proposal for our customers who live in areas of high economic deprivation so the benefits set out above can be realised.
- 6.2. If for any reason we are unable to deliver our commitment, we propose to:
 - Return any associated CVP reward under the Business Plan incentive on a proportionate basis to ensure that consumers are protected and do not pay for something that they have not received; and
 - Help our customers in areas of high economic deprivation to access the opportunities presented by the energy system transition in other ways and ensure that they receive the support they need.
- 6.3. We intend to engage with Ofgem to discuss how this may best be implemented in RIIO-ED2.



7. Eligibility checklist

Item	Description
Relevant CVP area (as per Ofgem's RIIO-ED2 Business Plan Guidance)	<ul style="list-style-type: none"> Proposals that demonstrate approaches to providing services to vulnerable consumers that clearly go beyond the baseline expectations. Proposals that exceed the baseline expectations set out for Environmental Action Plans.
Does this proposal entail new activities vs RIIO-ED1?	<p>✓ Yes – see section <input type="checkbox"/></p> <p>This is not an activity we have undertaken before.</p>
Does this proposal go beyond BAU activities?	<p>✓ Yes – see section <input type="checkbox"/></p> <p>Our current activities in this area are focused on providing relevant support and information to vulnerable customers through the appropriate channels, but do not include funding solar PV on schools in areas of high economic deprivation.</p>
Does this proposal exceed RIIO-ED2's baseline expectations?	<p>✓ Yes – see section <input type="checkbox"/></p> <ul style="list-style-type: none"> Delivery of solar panels to schools in areas of high economic deprivation exceeds baseline expectations, as this goes beyond simply referring or signposting these customers to the support we have available. Hence, this surpasses Ofgem's baseline expectations for vulnerable customers. Adoption of LCT systems by our customers does not relate to our own BCF. Hence, any actions supporting the reduction of customers' carbon footprints exceeds baseline expectations for EAPs. Furthermore, this initiative would also actively promote the education of local students in environmental and sustainability topics. This type of social engagement with local communities is aimed at promoting awareness of renewable energy among our future generation of customers. This will result in long-term benefits across local communities. However, this is not included as one of the baseline expectations for EAPs in RIIO-ED2 guidance, hence exceeding these.
What additional value does this proposal provide to customers?	<p>✓ Meets Ofgem's criteria – above £3 million threshold of net benefits.</p> <p>In particular, this CVP proposal brings £20.5 million of additional value to customers within RIIO-ED2 – see section 4 for full detailed explanation.</p>

8. Appendix: Joint Social Value Framework

- 8.1. During working groups in early 2020, all six DNOs, alongside Ofgem and key consumer groups discussed the (quantitative) measurement of social value, and the Consumer Value Proposition as part of the Business Plan incentive.
- 8.2. Under GD2, the four GDNs used different methodologies, values and reporting structures which led to results that are hard to compare. To prepare for the RIIO-ED2 CVP process, and for changes to the SECV incentive, DNOs decided to develop a common approach to measuring social value, a consistent mechanism that would allow for straightforward assessment and comparison.
- 8.3. To meet the DNOs' and Ofgem's requirements, the common approach needed to:
- Provide robust, consistent measurement of all social benefits DNOs deliver through their services.
 - Deliver a framework for DNOs to measure their CVP values in 2021.
 - Act as an ongoing solution – a framework applicable for the full RIIO-ED2 period.
 - Drive innovation and ambition in the social value space.
- 8.4. To deliver against this need, the joint social value framework was created. In line with the Spackman approach and the Treasury's Green Book, the framework provides a structure through which the DNOs will deliver values that are consistent, comparable, and conservative. The framework includes:
- Standard values (from a DNO-specific proxy bank).
 - Data quality guidelines.
 - A set calculation template.
 - Common figures that should be reported (as seen in **Section 4**).
- 8.5. This framework was tested throughout its development, agreed with consumer bodies and shared with Ofgem in December 2020 – with the framework referenced in Ofgem's Business Plan guidance.
- 8.6. WPD has had the framework independently applied to each of our CVP proposals, ensuring that appropriate values and assumptions are applied. This provides confidence that the values presented in this document are a conservative estimate of the value generated.
- 8.7. In addition, an audit of the DNOs' application of the joint Social Value Framework has been carried out in October 2021. The purpose of the audit is to ensure the rules and governance of the framework have been applied consistently across different DNOs.
- 8.8. This will make sure that values that are consistent, comparable, and conservative, prior to Ofgem's review of the final Business Plan. This has led to some changes in the quantification of benefits that ensure we are aligned with other DNOs where we have calculated similar benefits. These changes are detailed in the benefits section of each CVP where appropriate.



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