



Business Plan 2023 - 2028

SA-01 Supplementary Annex Governance and Assurance

SA-01 Governance and Assurance Contents

1. Introduction.....	3
2. Governance of Business Plan development.....	6
Governance framework supporting the development of our Business Plan	6
Governance Framework: WPD Board.....	8
Members of WPD Board	9
Governance Framework: Internal Audit	16
3. Developing our assurance programme	17
Determining assurance needs	17
Identifying suitable assurance providers	18
Assurance mapping.....	20
4. Assurance programme	21

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 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.** Everything in our Business Plan submission is driven to achieve the following four strategic outcomes for customers:



- 1.5. The diagram below (figure SA-01.0) shows the structure of the full Business Plan submission with the red box showing where this document fits into the overall suite of documents.

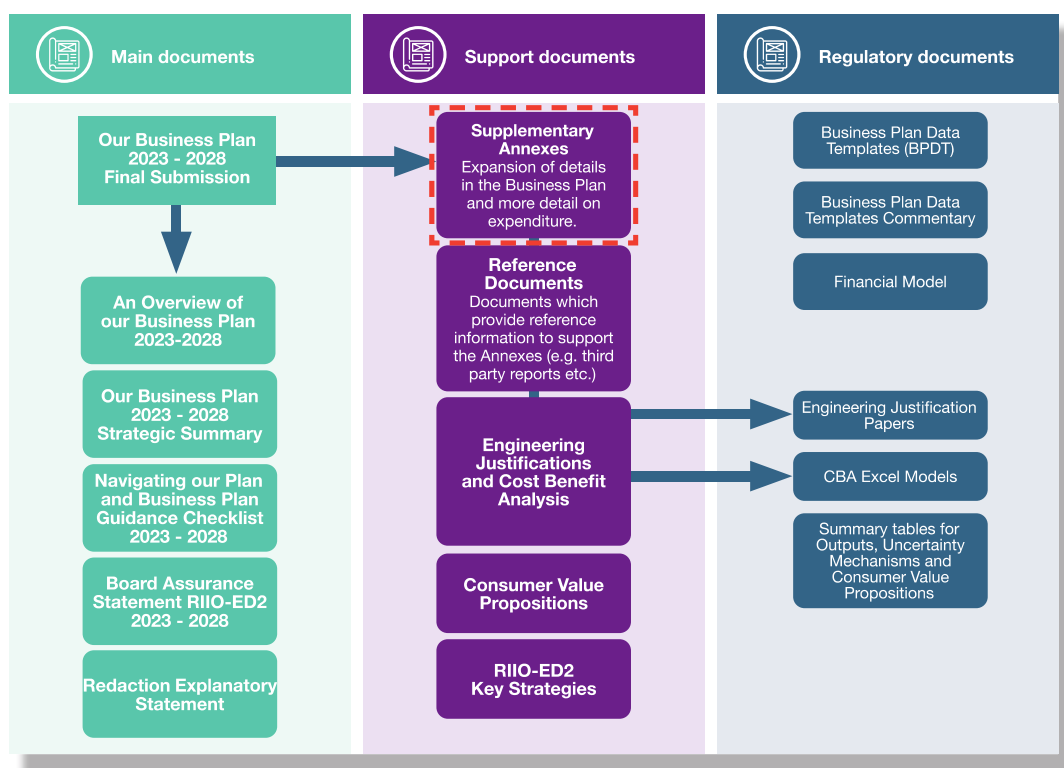


Figure SA-02a.0 Business Plan submission structure

- 1.6. This document is a Supplementary Annex to Chapter 1 of WPD's RIIO-ED2 Business Plan document. Annex: Governance and Assurance details our approach to managing our Business Plan development process. It sets out how we organised to develop our plan and the assurance programme that we applied to be confident that the plan is accurate and addresses stakeholder priorities.
- 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 of the commitments that will be delivered.

1.9. This document is subdivided into the following sections:

Section	Title	Content
2	Governance of Business Plan development	This section sets out the overall governance arrangements for the development of our plan and the roles and responsibilities of the component groups
3	Developing our Assurance Programme	This section describes the steps taken to design an assurance programme that would build trust and confidence in our plan
4	Assurance Programme	This section describes the detail of our assurance programme

2. Governance of Business Plan development

- 2.1. We are proud of our performance track record. Our business governance model has proven to be effective over a sustained period. Our RIIO-ED1 Business Plan met the criteria for fast-tracking and we have consistently delivered against the plans that we agreed and achieved exceptional levels of customer service. Our Board sets high expectations for business performance and remains engaged in discharging their oversight responsibilities. The Board considers that long term success is achieved by having a management team that is highly experienced in electricity distribution and in WPD's business processes and systems.
- 2.2. Our day to day governance structures are mirrored in the governance arrangements deployed for the development of our RIIO-ED2 Business Plan. Our Board has remained engaged throughout the process, from ensuring that organisational arrangements and resources were appropriate for developing the plan, through to challenging the content of draft versions.
- 2.3. In this section, we explain:
- The overall governance arrangements for the development of the Business Plan.
 - The roles and responsibilities of the component groups within our governance framework.

Governance framework supporting the development of our Business Plan

- 2.4. The governance arrangements applied to the development of our Business Plan drew upon our day to day Corporate Governance framework. The Board and Executive Director team provided strategic oversight to our plan's development and remained actively involved throughout the process.
- 2.5. Mark Shaw, an experienced senior manager, was assigned to lead the co-ordination of our Business Plan development and reported directly to the Alison Sleightholm, Resources & External Affairs Director. A Business Plan Group was established comprised of experienced cross-functional senior managers with the relevant knowledge to manage the development of a comprehensive Business Plan and to oversee the activities of the plan contributors.

- 2.6. The diagram 'WPD's Business Plan Governance Framework', as seen in figure SA-01.1, sets out the components of the governance framework supporting the development of the Business Plan.

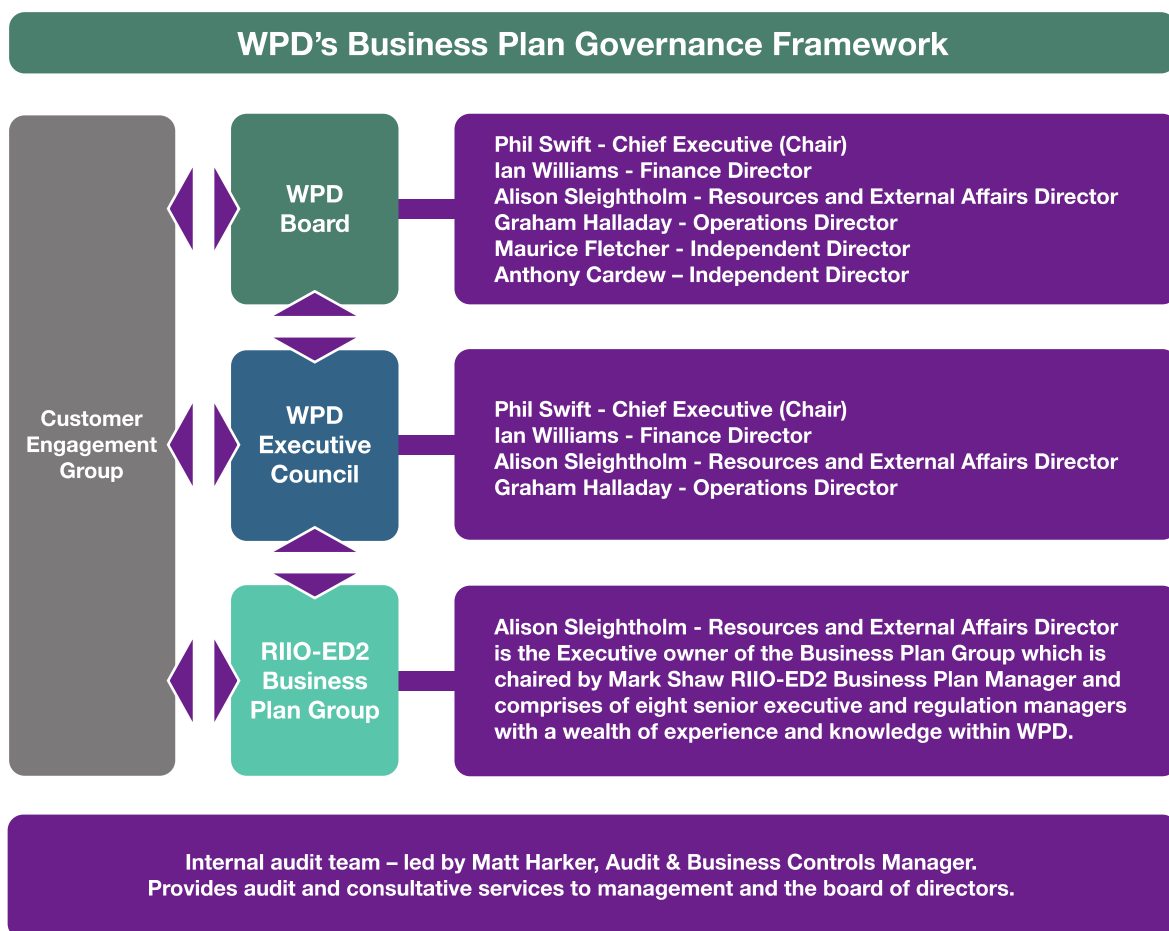


Figure SA-01.1 WPD's Business Plan governance framework

Governance Framework: WPD Board

- 2.7.** WPD Board has oversight responsibility for our business. It consists of six members: Phil Swift as WPD's Chief Executive, three Executive Directors and two Independent Non-Executive Directors. The Board has been actively engaged in the development of our Business Plan. This has included oversight of the arrangements and resources for preparing and assuring the plan, providing strategic direction and then challenging the content of draft plans and output commitments.
- 2.8.** Central to Board's oversight has been to focus on ensuring that the plan encompasses the core values of WPD and the effectiveness of the arrangements for understanding and balancing the views of our stakeholders.
- 2.9.** The Board set the following strategic priorities for the plan:
- Ensure that we operate our network safely and in a sustainable manner.
 - Continue to deliver outstanding customer service.
 - Keep costs to customers efficient and in real terms broadly flat with the end of RIIO-ED1.
- 2.10.** In meeting those strategic priorities, the Board required that our Business Plan met the following objectives:
- The plan must be ambitious.
 - Plan must optimise the use of resources and be based on costs that are efficient.
 - Plan must meet all legal and regulatory requirements.
 - The plan must be directed through effective Stakeholder engagement.
 - The plan must be deliverable.
 - The plan must be financeable.
 - The plan data and text must be accurate with forecasts based on justified assumptions.
- 2.11.** The Board met regularly to be kept apprised of progress of the Business Plan development. The Board has directly influenced the Business Plan strategy to make sure it meets with customer, stakeholder and shareholder requirements.

Members of WPD Board

WPD's Board Members



Phil Swift
Chief Executive

Phil joined WPD (then SWEB) in 1992 after graduating as an engineer and following experience in the aerospace industry.

After serving as a distribution Team Manager in Plymouth, a number of further senior management roles followed in metering and operational delivery.

These included Network Services Manager roles for WPD's South West region in 2002 and West Midlands region in 2011. This latter position followed WPD's acquisition of Central Networks operations where Phil served as a senior member of the transition team responsible for introducing WPD structures, processes and procedures into the Midlands. His work included Trade Union consultations and negotiations to establish one set of terms and conditions.

More recently, he has led the team responsible for the overall delivery of WPD's 'Well Justified Business Plan' to Ofgem as part of the RIIO-ED1 process and, in July 2013, was appointed to the Board of WPD as Operations Director. In this role, he was responsible for the business' network services, design and development, logistics and safety and training activities. In November 2018, he was appointed as Chief Executive.



Ian Williams
Finance Director

Ian joined the company in 1991 as a graduate management trainee. He has held the roles of Operations Financial Controller and following the successful integration of Hyder became Management Accounting Manager.

In 2001, he became the WPD Group Head of Internal Audit and led the Sarbanes Oxley Act compliance programme.

In 2006, he was seconded to the role of Treasurer. After successful refinancing of the WPD bank facilities and the additional long term debt financing of South Wales and South West, including WPD's first Index Linked issuance, he went back to the audit role.

Prior to the Midlands' acquisition, he again took on the role of Treasurer in order to undertake the required refinancing of both the long term debt and bank facilities. He was then appointed full time into the treasury role for the WPD Group.

In February 2015, he was appointed as Resources and External Affairs Director, with responsibilities include Human Resources, Payroll & Pensions, Corporate Communications and Regulation. In April 2018, he was appointed to the role of Group Finance Director.



Alison Sleightholm
Resources and External Affairs Director

Alison joined Western Power Distribution (then SWEB) on graduation in 1985 and has had a number of engineering roles across the business. As WPD's Regulation and Government Affairs Manager, she has played a leading role in regulatory price reviews and the development of WPD's Business Plan and stakeholder engagement programme.

She was also heavily involved in the acquisition and integration of both South Wales and more recently the Midlands distribution networks into WPD.

In April 2018, Alison became WPD's Resources and External Affairs Director.

Alison has a BSc in Electrical Engineering from Southampton University and is a Chartered Member of the Institution of Engineering and Technology.



Graham Halladay
Operations Director

Graham is the Operations Director for Western Power Distribution. He has responsibility for managing the distribution of electricity to eight million customers across the largest distribution network in the UK.

He joined Western Power Distribution (then SWEB) in 1983 as an apprentice. Graham has undertaken numerous operational and senior management roles within the business.

The most recent of these being Network Services Manager DSO, responsible for the company's transition from a Distribution Network Operator (DNO) to Distribution System Operator (DSO), dealing with internal business system change and external engagement with Ofgem, BEIS and the wider industry.

In January 2019, Graham became WPD's Operations Director.



Anthony Cardew
Non-Executive Independent Director

Anthony is one of the most respected and trusted figures in financial communication. During more than three decades of City experience, he has advised numerous businesses and organisations on a wide range of issues encompassing M&A activity, IPOs, demergers, capital raising, corporate restructuring and crisis management. His

clients have included some of the most prominent companies in the world. He launched Cardew Group in 1991.



Maurice Fletcher
Non-Executive Independent Director

Maurice Fletcher has served as a Non-Executive Director on each of the Boards of WPD's four Distribution Network Operating companies since October 2011. Following graduation from the London School of Economics, his career has included working for a number of electricity companies Eastern Electricity, Norweb, SWEB and WPD. He had a

variety of roles at operational, senior managerial and Executive Director levels across a range of activities including training and development, human resources, customer relations, external affairs and pensions management. Following the privatisation of the UK electricity sector, Maurice was a lead player in the restructuring of pay, terms and conditions and the associated rationalisation of working practices. He also was a key member of WPD's executive team involved in the acquisition of Hyder and its subsequent restructuring, followed by the successful integration of the South Wales electricity distribution business. Following his retirement, Maurice has continued to undertake consultancy and charitable work for a range of organisations.

Governance Framework: WPD Executive Council

- 2.12. The WPD Executive Council comprises the Chief Executive and the three Executive Directors of WPD. This group meets monthly to oversee business performance. Monthly Executive Council meetings have been used to track the progress of the RIIO-ED2 Business Plan development.
- 2.13. Monthly updates were received on the progress of RIIO-ED2 Business Plan development. Listings of key decisions reserved for approval by the Executive Council were retained and tracked.
- 2.14. Outside of the formal monthly meetings, there has been regular contact between the Business Plan Group lead manager and the Executive Directors. This helped ensure that there was timely input on key plan decisions.

Governance Framework: RIIO-ED2 Business Plan Group

- 2.15. The RIIO-ED2 Business Plan Group were established to bring together the resources necessary to manage the Business Plan development. The Group was led by Mark Shaw who was moved from his role as Network Services Manager, West Midlands. Mark has more than 30 years extensive engineering experience and has held a variety of senior operational positions within WPD. Mark reports to Alison Sleightholm, Resources and External Affairs Director as the Executive owner of the RIIO-ED2 plan development process.
- 2.16. The RIIO-ED2 Business Plan Group brought together the senior managers with business expertise in our stakeholder engagement programme and all aspects of our service delivery. This group was primarily responsible for the day to day activities and controls for preparing the plan.
- 2.17. This group represents a key component of governance arrangements for our plan's development. Members were responsible for enacting decisions and guidance from the Board and Executive; ensuring that stakeholder engagement outcomes were reflected in the plan; ensuring challenges brought via the Customer Engagement Group and the Ofgem Challenge Group were properly addressed; and overseeing that plan contributor requirements for meeting our plan objectives and assurance were adhered to. This group was also actively involved in the execution and oversight of the plan assurance programme.
- 2.18. WPD's Business Plan Group is a team of eight senior staff who have extensive experience of the business and a comprehensive knowledge of electricity regulation as shown in figure SA-01.2. Also below are the profiles of the Business Plan Group team.



Figure SA-01. 2 Business Plan submission structure

RIIO-ED2 Business Plan Group Members



Mark Shaw
RIIO-ED2 Business Plan Manager

Mark joined Western Power Distribution (then SWEB) in 1990 following graduation and currently leads the RIIO-ED2 Business Plan Group which is responsible for delivering a well justified, stakeholder supported Business Plan.

Mark has over 30 years' experience, having worked in all four of WPD's licence areas in a range of engineering roles, the majority of which were at senior level. His most recent role was as Network Services Manager – West Midlands where he had overall responsibility for the West Midlands' licence area.

Mark has a BEng (Hons) in Electrical and Electronic Engineering from the University of Plymouth, is a Chartered Engineer and a Fellow of the Institution of Engineering and Technology.



Andrzej Michalowski
Planning and Regulation Special Projects Manager

Andrzej joined Western Power Distribution in the West Midlands region (then Midlands Electricity) as a graduate in 1991. He gained experience in a number of operational and policy-based roles, before moving into the regulatory area when the Interruption Incentive Scheme was introduced in 2002. Since then, he has held a range of strategic, regulatory

and Business Planning roles as well as spending a short period as a local area Distribution Manager following WPD's acquisition of the Midlands distribution networks. He returned to a regulatory role to draft the RIIO-ED1 Business Plan.

As WPD's Planning and Regulation Special Projects Manager, he has responsibilities for reporting regulatory performance, compiling Business Planning forecasts and coordinating WPD's ISO 55001 asset management certification. He has a broad knowledge of the business and detailed understanding of the regulatory reporting requirements.

Andrzej has a BEng (Hons) in Electromechanical Engineering from Aston University and is a Chartered Member of the Institution of Engineering and Technology.



Paul Branston
Regulatory and Government Affairs Manager

Paul joined Western Power Distribution in June 2016. In his current role as Regulatory & Government Affairs Manager, Paul manages the teams responsible for WPD's regulatory reporting and compliance, management information, customer billing and WPD's Corporate Plan.

Before joining WPD, Paul was an Associate Partner in Ofgem's RIIO Networks team, leading a team of economists and engineers on a range of regulatory and policy matters, including UK and EU network regulation, investigations, incentive and policy design for the RIIO price controls, and development of the cost assessment work for the RIIO-GD1 and RIIO-ED1 price controls.

Paul has a BEng in Civil Engineering and Management from Aston University and is a Chartered Engineer with the Institution of Gas Engineers and Managers.

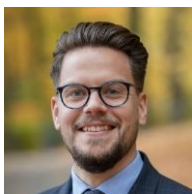


Dawn Broderick
Senior Regulatory Analyst

After qualifying as a Chartered Accountant with PwC, Dawn joined the East Midlands region of Western Power Distribution (then East Midlands Electricity) as a Finance Analyst in 2001.

Dawn undertook a number of operational finance roles, before moving to a key regulatory reporting role in 2010. Following WPD's acquisition of the Midlands distribution networks, Dawn helped to steer the integration and development of regulatory cost reporting between the legacy system used in the Midlands and WPD systems. She supported the production of the RIIO-ED1 Business Plan and has led on regulatory cost reporting and forecasting throughout the RIIO-ED1 period.

For this Business Plan, Dawn has worked with colleagues from across the business to develop and consolidate our ambitious expenditure plans.



Alex Wilkes
Business Plan Communication Manager

Alex leads Western Power Distribution's corporate communications (including external and internal communications, branding and website/digital), stakeholder engagement and customer vulnerability programmes. This includes the development of, and consultation on, key aspects of WPD's Business Plan, with expertise in consumer research and coordination of key external accreditations.

In 2011, Alex used his expertise in strategy development to create WPD's stakeholder engagement strategy and delivery programme. In 2013, he did the same for WPD's approach to social obligations. He now manages all aspects of these programmes, including initiatives to support vulnerable customers, improve data held on the Priority Services Register, address fuel poverty and, most recently, to maximise the opportunities to support customers in the transition to a smart energy future.

Alex has worked in the electricity industry since graduating from the University of Cambridge in 2007. He first joined E.ON, undertaking project management roles in Retail and Corporate Communications. He moved to E.ON Central Networks as Customer Service Improvement Manager in 2008, with responsibility for customer service strategy and performance improvement. Following its acquisition in 2011, he joined WPD.



Ben Godfrey
DSO Manager

Ben heads up the Distribution System Operator function for Western Power Distribution and is responsible for forecasting, capacity management and developing strategic network investment options for all four of WPD's licence areas. He is an experienced electrical engineer in the UK electrical utilities industry, spanning a number of functions including operations, planning, innovation and strategy.

Latterly, Ben has been developing WPD's capability in operating demand side flexibility under the Flexible Power brand, which is being successfully adopted by the majority of other UK DNOs.

Ben has a BEng (Hons) in Electrical Engineering from Nottingham Trent University and is a Member of the Institution of Engineering and Technology.



Roger Hey
Electricity Systems Manager

Roger joined the electricity industry as a graduate trainee in 1990. He has since managed a variety of operational and central business areas including power engineering, information systems and digital technologies.

As Electricity System Manager, he is responsible for company policy related to customer connections and system design, supporting customers as they adopt low carbon technologies and transforming the grid to ensure it operates reliably with local renewable generation.

Roger's teams are supporting the delivery of the UK's net zero targets by creating a digitally enabled and flexible grid, with particular emphasis on driving business change through innovation, digitalisation and smart grid control systems.



Andrew Akani
Primary System Design Manager

Andrew is responsible for managing the Primary System Design activities across WPD. He has over 19 years' experience in the design, operation and management of the distribution network having worked in various roles including Outage Planning, Network Strategy, Secondary and Primary Network Planning.

Andrew joined WPD's graduate scheme (West Midlands) in 2001 after graduating from the University of Manchester (formerly UMIST) with a degree in Electrical and Electronics Engineering. He is a Chartered Engineer and member of the Institute of Engineering and Technology, and also holds an MBA from the University of Wolverhampton.



Manjit Owen
RIIO-ED2 Business Plan Complier

Manjit Owen began her career at East Midlands Electricity, before working for Powergen E.ON (Central Networks) and Western Power Distribution. During her 20 years in the energy industry, Manjit has held a variety of roles within the supply, gas and distribution business.

These include working with meter operators, and electricity and gas suppliers. In distribution, Manjit brings a wealth of experience in reporting management information which includes financial and non-financial key performance indicators. She has been involved in the Interruptions Incentive Scheme audit conducted by Ofgem, and has worked on the Regulatory Reporting Pack.

In 2011, Manjit successfully completed a Master's degree in Business Administration.

Governance Framework: Customer Engagement Group (CEG)

- 2.19. The Customer Engagement Group (CEG) was formed in the spring of 2019, to allow for a thorough induction, and consists of 14 members with expertise across the energy sector. This group is independent of WPD with a remit to challenge WPD and reflect the interests of customers. For example the CEG has the ability to challenge WPD on priorities, proposed outputs and expenditure; approach to sustainability, resilience and innovation; transition to become a Distribution System Operator; stakeholder engagement processes; and support for vulnerable customers.
- 2.20. We followed a robust, independent and transparent process to appoint Duncan McCombie, the CEG Chair, and all members. As part of this, we sought ratification and approval to proceed from Ofgem (Head of RIIO2 Policy on Engagement, Head of RIIO2 Policy and Deputy Director of ED and Cross Sector Policy) on five occasions, including direct oversight of, and input into, the Chair interview shortlisting process. Further details on our CEG recruitment process can be found in Annex 3 - Giving customers a stronger voice - Enhanced Engagement.
- 2.21. **Recruiting the CEG Chair:** We introduced a rigorous process to support the appointment of independent Chair by the end of 2018. We appointed an external recruitment agency (GatenbySanderson) with expertise in CEO and Non-Executive Director recruitment, resulting in a list of 46 Chair candidates. We then engaged an independent expert with first-hand experience of holding an equivalent role in the water sector (Chair of Welsh Water's Customer Challenge Group for PR19) to conduct a stand-alone, parallel evaluation of candidates, alongside our own assessment. All candidates were formally assessed against role criteria and a weighted skills matrix that was agreed in advance with Ofgem.
- 2.22. **Recruiting CEG members:** We applied a similarly rigorous process to recruit membership for the group. Working with the Chair and Sia Partners who had extensive expertise establishing CEG groups in the gas and transmission sectors, we developed a thorough 'terms of reference' document for the group to help with member recruitment. This communicated to candidates that the CEG was more than a consumer interest group and required a diverse range of knowledge areas. The CEG includes experts in low carbon technologies, future energy scenarios and energy system transition, major users, vulnerable customers, and local/regional interests. It was also vital to identify senior, high-calibre individuals, who could relate to the needs of the consumers they were there to represent - as well as having a firm understanding of Ofgem's requirements and the RIIO price control process as a whole. An initial list of 46 member candidates was drawn up, following an advertising and external recruitment campaign, led by an independent recruitment agency, as well as help from the Chair's network of contacts. The Chair then interviewed a shortlist of 23 candidates. We shared details with Ofgem at the shortlisting and final appointment stages.
- 2.23. We have sought to provide access to people and materials to enable the CEG to discharge its role effectively, this has included access to our WPD Operating Company Board.
- 2.24. The CEG's key output was to produce an independent report for Ofgem that sits alongside WPD's Business Plan and outlines any areas of agreement and disagreement. We have actively sought to utilise the skills and expertise of the CEG to benefit our Business Plan. Whilst external to WPD's Business Plan governance framework, the challenges made by the CEG allow us to check that our own internal governance arrangements are operating effectively. Our RIIO-ED2 Business Plan Group developed a formal process for ensuring that all CEG comments and challenges were carefully considered and that appropriate actions were taken to improve our Business Plan.
- 2.25. In total the CEG has raised 72 challenges as part of this process of scrutiny, including over 150 individual meetings. As well as overarching meetings containing all members, seven subgroups were formed to provide rigour and challenge to our staff responsible for generating the Business Plan in the following specific areas: Business Plan development;

Innovation and competition; Regional drivers and net zero; Research; Customer service; Asset management, and; Workforce resilience. At all times we have listen to their observations and challenges and acted on opportunities to improve our plan.

- 2.26.** Following the official draft submission to Ofgem and its Challenge Group in July 2021, the CEG identified a number of gaps to be addresses in our final plan. It formed a smaller sub-set of eight members (comprising the sub-group leads plus the Chair) with whom we have met six times in September-October to hold WPD to account for the delivery of substantive changes in response to these areas.

Governance Framework: Ofgem Challenge Group (CG)

- 2.27.** The Ofgem Challenge Group (CG) objective is to provide challenge to the energy network Business Plans on behalf of existing and future customers. The CG is independent of Ofgem and provides a report to support Ofgem’s work in Final Determination decisions. The CG review and comment on draft business plans and provide the opportunity for energy network companies to address feedback received within their final Business Plan submissions.
- 2.28.** Whilst external to WPD’s Business Plan governance framework, the CG provides independent expertise and commentary that is useful to enable us to check the validity of our plan and supporting evidence. We sought to approach CG engagement openly with a desire identify and embed opportunities to enhance our plan.

Governance Framework: Internal Audit

- 2.29.** Our Internal Audit Team is comprised of professionals with extensive experience of WPD operations and risk management. The team have performed independent reviews on various aspects of the Business Plan development process. Our Internal Audit Team is independent of management.

3. Developing our assurance programme

- 3.1. We set out to develop a plan that addresses the expectations of our stakeholders, is ambitious in its scope and continues to lead our sector. We recognised the importance of an assurance programme that builds trust in our plan amongst our stakeholders.
- 3.2. Our assurance programme sought to build confidence in the matters that are important to our stakeholders as endorsed through the objectives set by our Board.
- 3.3. In this section, we describe the steps taken to design an assurance programme that would build trust and confidence amongst our stakeholders.

Determining assurance needs

- 3.4. Fundamental to developing an effective assurance programme was being clear about our assurance needs. We developed our understanding of assurance needs by considering all the objectives we set for our plan and identifying risks that might prevent their achievement. Those risks helped to frame the context of the assurance programme. We used the risk assessments to check that suitable controls and mitigations were in place to manage the risks. We assessed residual risk levels (the level of risk remaining after taking account of controls and mitigations).
- 3.5. We used the following objectives set for our plan by our Board as the starting point for considering risks:
- The plan must be ambitious.
 - The plan must optimise the use of resources and be based on costs that are efficient.
 - The plan must meet all legal and regulatory requirements.
 - The plan must be directed through effective Stakeholder engagement.
 - The plan must be deliverable.
 - The plan must be financeable.
 - The plan data and text must be accurate with forecasts based on justified assumptions.
- 3.6. We also considered risks in relation to the Business Plan development process itself.
- 3.7. The objectives, risks identified, controls to mitigate risks and residual risk levels were all inputs to help define our assurance needs. Our aim was to assure against each objective and in so doing it was often appropriate to assure the effectiveness of relevant controls for mitigating risks.
- 3.8. Understanding the objectives, risks, controls and residual risk helped to set assurance priorities and target assurance activities. We used techniques applied to meeting Ofgem Data Assurance Guidance to assist with our assessments. Importantly our approach enabled us to understand what was causing an item to be higher risk which in turn helped us to develop a targeted assurance response.
- 3.9. In relation to the objective 'The plan data and text must be accurate with forecasts based on justified assumptions', further risk assessments were completed for the Business Plan Data Templates and for the Engineering Justification Papers. These assessments used the Ofgem Data Assurance Guidance techniques to help understand relative importance and potential for error.

Identifying suitable assurance providers

- 3.10.** WPD has an established assurance framework for ensuring key business data and regulatory information is accurate. Over the past decade, extensive investment has been made to implement the technology and business systems that strengthen data governance. We recognise that business information is critical to making the right decisions. Our preference is to have experienced personnel involved in preparing and checking data. We have developed a very experienced team who understand our systems and reporting requirements. We continued to draw upon those expertise in the preparation and assurance of our Business Plan.
- 3.11.** Our Business Plan governance framework introduces challenge on all activity associated with developing our Business Plan. Clear roles, responsibilities and accountability were established to support the governance framework. The separation of roles in relation to the development of our plan was key to robust professional critiquing on how our Business Plan goals were being met and provided a means for delivering certain aspects of assurance.
- 3.12.** Our three lines of defence business risk management model was applied to the development of our Business Plan. Experienced managers were engaged to represent the business specialisms and take ownership for discrete sections of the plan. These managers were guided by the Business Plan Group to develop plan content that addressed our plan objectives. The second line Business Plan Group, managed risks associated with the plan's development and implemented the appropriate templates to mitigate risks and manage assurance activities.
- 3.13.** We have used our Internal Audit Team and a range of external specialists to assist with our assurance programme. We recognised that certain risks merited using independent specialists to challenge and assure that our plan and assumptions were robust.
- 3.14.** The diagram 'Managing Business Plan Development Risks: WPD Three Lines of Defence Model' (see figure SA-01.3) describes the lines of defence that were relevant to the mitigating risks associated with the development of our Business Plan. These represent the range of assurance expertise we called upon to deliver different aspects of our assurance programme.
- 3.15.** The diagram 'Managing Business Plan Development Risks: WPD Three Lines of Defence Model' (see figure SA-01.3) describes the lines of defence that were relevant to the mitigating risks associated with the development of our Business Plan. These represent the range of assurance expertise we called upon to deliver different aspects of our assurance programme.

Managing Business Plan Development Risks: WPD Three Lines of Defence Model

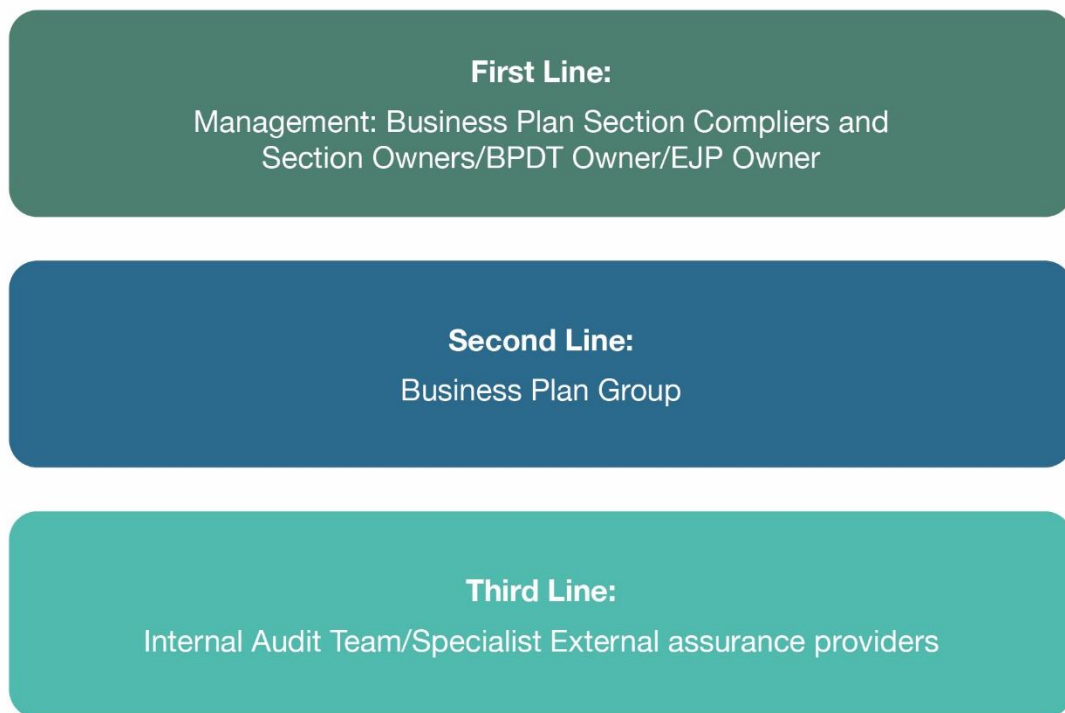


Figure SA-01. 3 Three Lines of Defence Model

Assurance mapping

- 3.16.** The risks identified through the plan risk assessment were mapped to the mitigation technique, the assurance approach and assurance provider. Similarly, the Business Plan Data Templates (BPDT) and Engineering Justification Papers (EJP) risk assessments were used to map to the relevant assurance approach and provider.
- 3.17.** The risk assessments and assurance maps allowed us to be confident that the main risks had been identified and that there were suitable mitigations and assurances arranged to be confident that the plan objectives were satisfied.
- 3.18.** Figure SA-01.4 below sets out our summarised assurance approach for the main objectives set by our Board. Further detail relating to the actual assurance activities and outcomes are provided in the next section.

Objective	Assurance approach
The plan must be ambitious	Whole plan assessment
The plan must optimise the use of resources and be based on costs that are efficient	Dedicated plan section explaining efficiency assessment and validation (refer to Business Plan Chapter 6)
The plan must meet all legal and regulatory requirements	Whole plan assessment
The plan must be directed through effective Stakeholder engagement	Dedicated plan section explaining the approach to understanding our stakeholder needs and for validating the effectiveness of our approach (refer to Business Plan Chapter 3)
The plan must be deliverable	Whole plan assessment
The plan must be financeable	Dedicated plan section explaining how the plan will be financed and that actions taken to assure our financing assumptions (refer to Business Plan Chapter 9)
The plan data and text must be accurate with forecasts based on justified assumptions	Whole plan assessment. Dedicated assurance programme for BPDTs and for EJPs.

Figure SA-01.4 Assurance Approach

4. Assurance programme

- 4.1. We set out in this section the detail of our assurance programme for each of our Business Plan objectives. Where appropriate, cross referencing is provided to supporting explanations within our main Business Plan.
- 4.2. For all Business Plan sections and annexes, we universally applied an assurance approach based on that used for compliance with Ofgem Data Assurance Guidance. This involved following an assurance and sign-off template that required method statement documentation of how common risks were addressed and how data and information was assured. The completed templates served to reinforce governance roles and responsibilities being completed by relevant business owners and counter reviewed by our second line Business Plan Group. This assurance approach transcends the assurance programme described below, being an important mechanism for internally evidencing the completion of assurance actions.
- 4.3. We tailored the assurance and sign-off templates to meet the specific risk needs for completing BPDTs and EJPs. These templates were used internally to evidence how risks were mitigated and the assurance checks that were completed.

Assurance Objective: The plan must be ambitious

- 4.4. Validation of the level of our Business Plan ambition is substantially achieved through our governance framework described in Section 2 of this Annex. Clear direction from our Board alongside frequent communications on key plan decisions helped to check on the level of ambition.
- 4.5. Our stakeholder engagement programme, described in our main plan section 3, sought to understand stakeholder priorities and enabled us to gauge the level of ambition expected. The subsequent publications of draft versions of our plan and output commitments along with additional engagement, enabled us to be assured that we had correctly interpreted the ambition our stakeholders expected of us. Engagement at this stage, both with our stakeholder groups and the CEG and the Ofgem CG enabled us to refine our Business Plan and increase overall ambition in a number of key areas.
- 4.6. We engaged with specialist management consultants AlixPartners to consider our whole plan and whether it meets the various objectives that we set ourselves. We acted on recommendations as appropriate.

Assurance Objective: The plan must optimise the use of resources and be based on costs that are efficient

- 4.7. The efficiency with which we deliver our services is critically important to our stakeholders. We describe our approach to measuring and validating our efficiency in Section 6 of our Business Plan. The section describes the external experts that were engaged to help build confidence that our planned expenditure is allocated to efficiently achieve our outcome commitments through adopting efficient solutions in the right quantities and at the optimal time. The section also explains how we validated that our costs to deliver are efficient.

Assurance objective: The plan must meet all legal and regulatory requirements

- 4.8. There were two aspects related to meeting legal and regulatory requirements:
- That the plan provides for service delivery standards that satisfy all regulatory and legal obligations;
 - That regulatory requirements relating to the development of the plan itself are understood and adhered to.
- 4.9. Our governance framework was instrumental to meeting both these obligations and for providing the necessary assurance checks. Plan sections were developed by experienced managers within our business who hold responsibilities for service delivery. Their day to day roles require them to understand applicable regulatory and legal requirements. This meant they were suitably placed to ensure that future plans accommodate all necessary expenditure to maintain compliance. Our plan section and annex sign-off protocols required the managers to evidence how regulatory requirements were addressed.
- 4.10. In relation to meeting regulatory requirements for the development of the plan itself, the Business Plan Group were responsible for briefing and setting guidance to managers developing plan content to ensure the correct level of understanding of regulatory requirements. The Business Plan Group were then engaged in review activities that ensured the requirements had been observed.
- 4.11. Additionally compliance with Ofgem Business Plan Guidance was formally documented and referenced to the relevant plan sections and annexes. The Business Plan Group reviewed the relevant documentation to check and challenge that the requirement was correctly interpreted and addressed. As a key risk area for the development of our plan, additional independent review was performed by our Internal Audit Team to assure that the process applied by the Business Plan Group was well designed and operated effectively.

Assurance objective: The plan must be directed through effective stakeholder engagement

- 4.12. Engaging with our stakeholders and ensuring that we have correctly interpreted their priorities is fundamental to the development of our plan. We describe our approach to identifying and understanding our stakeholders in Section 3 of our Business Plan. Within that section we explain why we are confident that our stakeholder engagement processes are effective. This has included partnering with specialist experts Sia Partners to independently collate reports on engagement stages and help to avoid unintended bias. Critically, publishing draft versions of the plan and actively engaging on those plans provided the strongest assurance that we had understood our stakeholders and accommodated their interests within our plan.

Assurance objective: The plan must be deliverable

- 4.13. Our governance framework described in Section 2 of this Annex helped us to construct a plan that pays close attention to deliverability. Using a team of managers with extensive experience of our business and who hold positions of responsibility for service delivery, has helped ensure there is a well informed judgement about the resources that will be necessary to achieve our stated output commitments. The approach of using very experienced managers to develop our plan has proven to be effective in previous Business Plans where we have a strong record of delivering against the plans that we set out (refer to section 2 of our Business Plan).

- 4.14.** Two leadership workshops were held where our senior management team were brought together to review and challenge the content of the Business Plan. These workshops served to:
- Provide expert peer review from individuals who were independent of the drafting processes; and
 - Provide challenge and insight from those who will be responsible for the plan's delivery.
- 4.15.** The deliverability of solutions that were materially different to historic working practices were thoroughly assessed through our Engineering Justification Paper process. Assessment is provided on each solution that confirms any risks around deliverability have been identified and considered.

Assurance objective: The plan must be financeable

- 4.16.** Ensuring that sufficient finance resources are in place to deliver out plan at a cost that is fair to all stakeholders is addressed through a dedicated section of our plan (refer to Section 9 in our Business Plan). In this section we explain the steps taken to be confident that the financial requirements are accurate and substantiated.

Assurance objective: The plan data and text must be accurate with forecasts based on justified assumptions

- 4.17.** The governance framework described in Section 2 of this Annex provides the foundation for our assurance programme. Our three lines of defence model helped to manage plan risks including data, narrative and interpretive errors. To support the model, templates were developed to assist with assurance activity directed at Business Plan sections and associated annexes, Business Plan data template completion and Engineering Justification Paper completion.

Assuring Business Plans sections and associated Annexes:

- 4.18.** Each section of our Business Plan had a nominated Compiler and Business Owner. A template was established to help target assurance actions against the key risk areas identified through our risk assessment process. The templates were used to formally document how the different risk aspects had been addressed and allowed for counter check and review in line with allocated responsibilities within our governance model. Where appropriate, third line assurance activities were referenced within the documentation to provide an internal record of assurance related to the plan section. The templates were used to 'sign-off' plan sections and reinforced responsibilities.
- 4.19.** The following assurance activities were applied to all sections of the plan.
- Compiler checks – specialist Finance or Regulation expert with responsibility for preparation of data, forecasts and justifications for the relevant Business Plan section. Developed section in accordance with requirements established by the RIIO-ED2 Business Plan Group.
 - Business Owner review - Each section of our plan had a named Business Owner who was responsible for the section content. The Business Owner performed the second person review to verify that the mechanisms used to address the risks had been correctly explained and checks performed to an adequate standard.
 - RIIO-ED2 Business Plan Group review – Each plan section was subject to independent review by specialists within the RIIO-ED2 Business Plan Group. This team is independent of the Business Owners. Their review provided independent challenge on each section which included the following:

- Verification that the compiler and second person checks had been completed to the expected standard.
- Checks that the plan data and text is consistent with the rest of the plan and that strategic objectives were applied.
- Checks on support for materially important forecasts and estimates and associated sensitivity analysis.
- Checks on the adoption of stakeholder engagement outcomes.
 - Checks on the justifications supporting cost efficiency.
 - Checks on adherence to regulatory requirements / guidelines for plan development.

Assuring Business Plan Data Templates (BPDT):

4.20. The BPDTs were grouped together where ownership allocation was the same and where the approaches to compiling and checking the templates were consistent. Our normal business approach for annual regulatory reporting was modified to address more specific risks associated with completing BPDT. A template was established to drive a consistent approach and formally document how different risks were addressed. The templates helped to ensure all the relevant common risk factors for completing BPDTs were actively considered for each table. The templates were used to formally document how differing risk aspects had been addressed and facilitated counter check and review. Again these templates were used to reinforce roles and responsibilities within our governance structure and used to 'sign-off' on the discharge of those responsibilities.

4.21. The BPDT risk assessment was used to verify that the appropriate assurance activities and resource were aligned with risk levels.

4.22. The following activities were completed for each BPDT:

Compiler actions:

- Maintained an understanding of regulatory requirements for the relevant BPDT table.
- Documented the steps taken for checking that data and narrative information is complete and accurate.
- Retained supporting evidence for checks and the back-up for data and information contained in the table.
- Retained supporting evidence of any computations on the data in derivation of the RIIO-ED2 forecast.
- Ensured that the BPDT table is completed in line with the BPDT Guidance and Glossary.

Business strategy review:

- Provided (or agreed sources of) data and forecasts for the Compiler to complete the data table.
- Reviewed data and forecasts presented in the tables and ensured it reflected information submitted by, or agreed with, the business leads.
- Reviewed data and forecasts and ensured they are deliverable in RIIO-ED2, represented a reasonable view of activity and align with business requirements.

Senior regulatory review:

- Reviewed the BPDT section and completed checks to be assured that the Compiler has fully populated the BPDT, discharged their responsibilities and provided data in line with regulatory requirements.
- Provided challenge on the data. Including:
 - confirming that unusual data had been checked and explained.
 - reviewing the rationale for any computations / assumptions / adjustments.
 - reviewing associated working files.

Assuring the Engineering Justification Papers (EJPs):

- 4.23.** We appointed Jacobs Engineering Group to add independent rigour to our EJP preparation process. Jacobs helped us drive consistency in our EJP development approach and provided challenge on the logic and robustness of supporting justifications.
- 4.24.** For a small number of EJPs relating to data and digitalisation we also appointed Gutteridge Haskins & Davey to provide specialist support. They have previously supported us in delivering our data and digitalisation programme in a manner which is aligned to the energy sector's future needs.
- 4.25.** We developed a template for documenting EJPs that aligned to the regulatory requirements. We developed a review template to assure ourselves on the accuracy and the logic of the content of each EJP. The following activities were completed for each EJP:

EJP compiler:

- Liaised with Business Owner to understand the investment scope for the EJP.
- Challenged Business Owner to ensure that the full range of options considered are understood and that other applicable decision input information have been identified.
- Drafted EJP and applied decision making rules including Cost Benefit Analysis (CBA) computation where applicable.

EJP Business Owner:

- Responsible for the EJP content and supporting information.
- Reviewed draft EJP to verify the accuracy of the content, associated computations and outcome decision.

EJP approval:

- Member of the Business Plan Group providing final approval of the EJP.
- Reviews to confirm Business Owner review was complete.
- Provides independent challenge on content with particular emphasis on alignment across EJPs and with wider Business Plan objectives.
- Checks made to ensure the need case is demonstrated and that the timing of investment proposals was optimised.

- 4.26.** The EJP risk assessment was used to verify that the appropriate assurance resources were aligned with risk levels.

Assuring the Consumer Value Propositions (CVPs):

- 4.27.** We engaged KPMG and Sia Partners to provide specialist assistance in relation to the CVPs we proposed. These external specialists brought independent challenge to ensure that the value proposition met Ofgem's criteria was logical and supported.
- 4.28.** We continued to apply our three lines of defence model for CVPs. In addition to the external specialist involvement, each CVP had a named Business Owner with overall responsibility for the content of the CVP. Our Business Plan Group provided additional checks and scrutiny of the checks made by the owner and external party specialists.

Other assurance activities:

Independent Internal Audit Team reviews

4.29. Additional assurance has been provided by our Internal Audit Team. Our Internal Audit Team is independent of management and represents our third line of risk management defence. Our Internal Audit Team have completed projects including:

- Assessing the design arrangements for managing the plan development process, including the intended mechanisms for assuring the accuracy of content;
- Independent review of controls for managing compliance with regulatory guidance;
- Independent review of operating effectiveness of data checking processes;
- Review of data management controls related to network load forecasting;

Independent review of governance and assurance model

4.30. PwC were engaged to provide an independent review of our governance and assurance approach. We wanted an expert opinion on our proposed governance and assurance model was suitable and to leverage PwC's diverse experience in Business Plan development. PwC were engaged early to allow us to maximise enhancement opportunities prior to the execution of the main plan development and assurance activities.

Additional assurance checks

4.31. Using the plan risk assessment as a key input, consideration was given to the need for additional assurance checks. As described within this Annex, the use of external specialists is more fully described within the relevant plan section. We list in the table below all the external service providers who have provided assurance over some aspect of our plan and include the relevant section reference.

Table of External Assurance providers:

	External Specialist	Support Provided	Plan section
1	AlixPartners	Whole plan review	N/a
2	PwC	Validity of governance and assurance model deployed by WPD	Chapter 1
3	EQ Communications	Independent facilitation of WPD's stakeholder engagement workshops. Independent delivery of the consolidated findings reports for BP1 and BP2 consultations	Chapter 3
4	PwC	Understanding and quantification of Social Value	Chapter 3
5	Accent Marketing & Research Ltd	Support for effective research in understanding and interpreting stakeholder priorities. Independent delivery of willingness to pay and customer acceptability research	Chapter 3
6	PJM Economics	Willingness To Pay and Acceptability Testing customer research	Chapter 3

	External Specialist	Support Provided	Plan section
7	Sia Partners	Synthesis reports validating stakeholder feedback and social value research	Chapter 3
8	Traverse Ltd	Independent research with domestic customers and future consumers	Chapter 3
9	Anthesis	Assurance over Business Carbon Footprint measurement methodology	Chapter 4
10	Anthesis	Support for embodied carbon methodology	Chapter 4
11	KPMG	Validating Customer Value Propositions	Chapter 4
12	PwC	Understanding Operational Technology risks and assuring suitability of action plans	Chapter 4
13	Biffa plc	Support for waste data	Chapter 4
14	KPMG	Support relating to Cyber NIS requirements	Chapter 4
15	Veolia	Support for waste data	Chapter 4
16	Anthesis	Support for Science-based Target and net zero trajectories	Chapter 4
17	NQA Global Certification Body	ISO14001 certification (environmental management system)	Chapter 4
18	NERA Economic Consulting	Analysis informing our RIIO-ED2 RPE proposals and assurance of that analysis / recommendation	Chapter 6
19	The Andersons Centre	Agricultural consultant support	Chapter 6
20	NERA Economic Consulting	Analysis informing RIIO-ED2 OE assumption and assurance of that analysis / recommendation	Chapter 6
21	Oxera Consulting LLP	Evaluation of candidate Totex cost drivers for ED2 cost assessment and assurance of that analysis	Chapter 6
22	Gutteridge Haskins & Davey	Unit Cost Process Review	Chapter 6
23	Frontier Economics	Support for WPD Cost of Equity proposal	Chapter 9
24	Frontier Economics	Further analysis of Ofgem's proposal to adjust baseline returns – report for ENA	Chapter 9
25	NERA Economic Consulting	Additional cost of borrowing report – report for ENA	Chapter 9
26	NERA Economic Consulting	WPD Financeability Reports	Chapter 9
27	Oxera Consulting LLP	Support for Cost of Equity proposal (ENA) – report for ENA	Chapter 9
28	Jacobs Engineering Group	EJP and CBA validation	EJPs and CBA
29	Gutteridge Haskins & Davey	EJP and CBA collaboration	EJPs and CBA



Western Power Distribution (East Midlands) plc, No2366923
Western Power Distribution (West Midlands) plc, No3600574
Western Power Distribution (South West) plc, No2366894
Western Power Distribution (South Wales) plc, No2366985

Registered in England and Wales
Registered Office: Avonbank, Feeder Road, Bristol BS2 0TB

www.westernpower.co.uk

     @wpduk

