



# Consumer Value Proposition for the RII0-ED2 price control period

**CVP-2: Proactively partner with every local authority in our region to help them develop ambitious Local Area Energy Plans**

# Version Control

Issue	Author	Reviewer	Issue date
First Submission Business Plan	Ben Godfrey	Mark Shaw	01/07/2021
Final Submission Business Plan	Ben Godfrey	Mark Shaw	01/12/2021

## Contact Details

### Email

[Yourpowerfuture@westernpower.co.uk](mailto:Yourpowerfuture@westernpower.co.uk)

### Postal

Stakeholder Team  
Western Power Distribution  
Herald Way  
Castle Donington  
DE74 2TU

## Disclaimer

Neither WPD, nor any person acting on its behalf, makes any warranty, express or implied, with respect to the use of any information, method or process disclosed in this document or that such use may not infringe the rights of any third party or assumes any liabilities with respect to the use of, or for damage resulting in any way from the use of, any information, apparatus, method or process disclosed in the document.

© Western Power Distribution 2021

No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means electronic, mechanical, photocopying, recording or otherwise, without the written permission of the RIIO-ED2 Business Plan Manager, who can be contacted at the addresses given above.

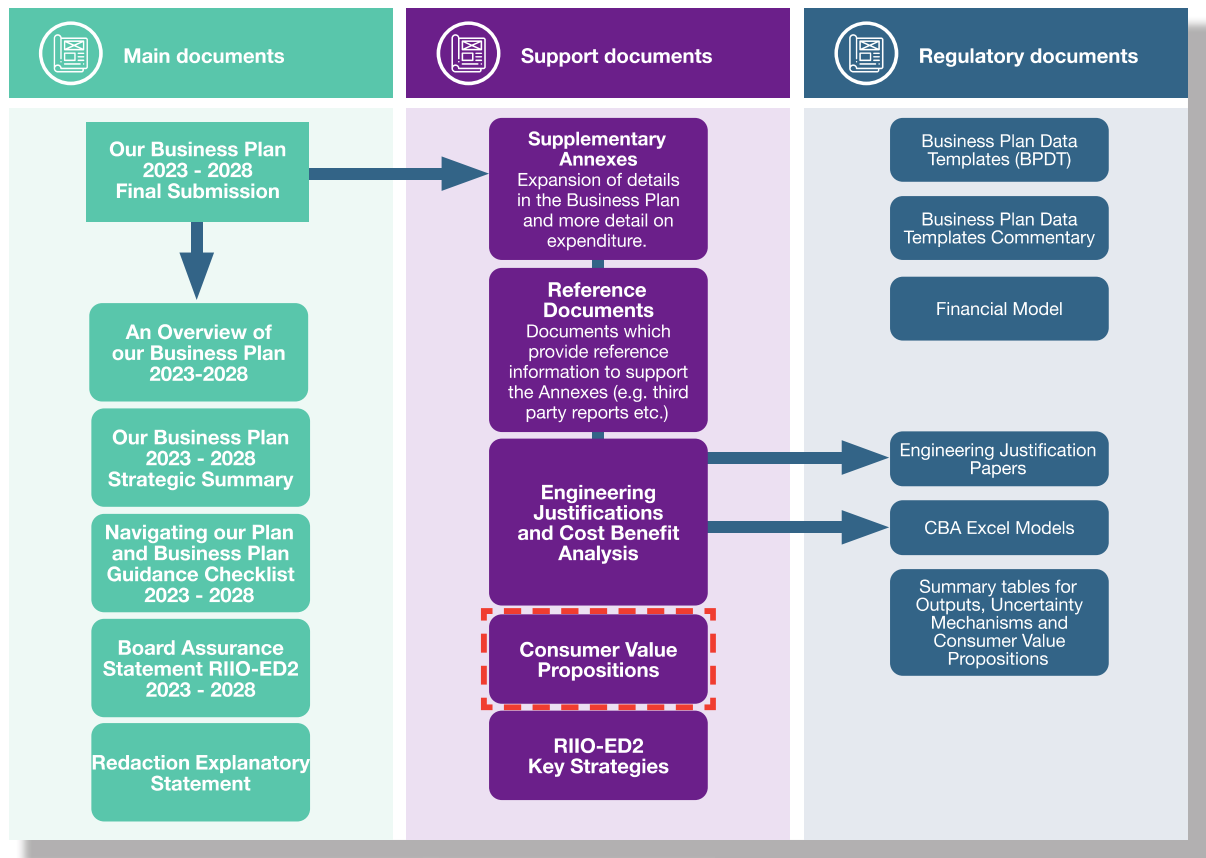
# Table of Contents

Navigating our plan .....	4
<b>1. Summary .....</b>	<b>5</b>
<b>2. Introduction.....</b>	<b>6</b>
What this Consumer Value Proposition includes .....	7
<b>3. Our proposal .....</b>	<b>8</b>
Background .....	8
What we are proposing .....	8
Why WPD is best placed to deliver this proposal .....	9
How our proposal delivers beyond expectations .....	10
Our delivery plan .....	11
<b>4. Benefits generated by our proposal .....</b>	<b>12</b>
Results of quantification .....	12
Approach to quantifying .....	14
<b>5. Stakeholder support.....</b>	<b>16</b>
Feedback from stakeholders.....	16
Supporting our Business Plan.....	16
<b>6. Accountability for delivery .....</b>	<b>18</b>
What will happen if outputs are not delivered .....	18
<b>7. Eligibility checklist .....</b>	<b>19</b>
<b>8. Appendix: Joint Social Value Framework .....</b>	<b>20</b>

# 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

### **Joined-up thinking**

between WPD and the local authorities in each of our regions

### **130 local authorities**

supported in the development of their local area energy plans

### **CVP-2**

Proactively partner with every local authority in our region to help them develop ambitious Local Area Energy Plans

### **£27.9 million of net benefits**

delivered over the RII0-ED2 price control period

### **A dedicated team**

of advisors helping local authorities map out their net zero futures



## 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. Below, we set out the detail of one of our CVP proposals: ***CVP-2: Proactively partner with every local authority in our region to help them develop ambitious Local Area Energy Plans.***

## What this Consumer Value Proposition includes

- 2.8. WPD is committed to becoming a net zero carbon organisation in 2028, far in advance of the UK government's 2050 target. We are leading the way towards a more sustainable future, setting an example for the rest of the industry and delivering enduring change.
- 2.9. Reflecting the feedback we received on the first submission Business Plan that we published in July, 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). Principally, and following extensive stakeholder engagement, we have now estimated the benefit of this CVP in a way that incorporates our customers' willingness to pay. This reflects the high level of support we received for this CVP and how important it is to our customers that we deliver this target.
  - 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 3. 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 0.**

- **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. One of the challenges of energy system decarbonisation is that the solutions required to deliver net zero ambitions will vary by geography and local building types. This is often not reflected in national level analysis. National policies need additional nuance, a lack of which risks limiting their effectiveness when applied in regional communities. To help fill this void, the concept of Local Area Energy Plans (LAEPs) has been developed to inform, shape and enable key aspects of the transition to a net zero carbon energy system.

3.3. WPD is a strong supporter of this process, recognising that the delivery of a decarbonised energy system will in part depend on local leadership, engagement and initiative taking. This is a product of the scale of the challenges of the systemic changes required and how they vary between places, and the array of stakeholders that will need to be involved in making them.

3.4. However, local area energy planning is still in its infancy and research by Citizens Advice<sup>1</sup> shows that plans, strategies, commitments and approaches vary greatly across England and Wales. One of the concerns set out by Citizens Advice is that local plans are often driven by an aim to achieve net zero as quickly as possible and that these plans are not always accompanied by detailed costings, which could result in inefficient plans or plans that do not fully reflect the preferences of local areas and their residents. The research also found that there is limited support for local authorities and stakeholders in developing plans, and that they are concerned about having the expertise and capacity to deliver.

3.5. This is where WPD can make a significant positive difference. Through this CVP, we can help every local authority in our region to deliver ambitious LAEPs which facilitate an efficient and timely decarbonisation of the energy system. We are uniquely placed to do this, given the work we have done in developing Distribution Future Energy Scenarios (DFES), which assess different regional pathways to net zero. Over the last 2 years we have mapped the data behind this onto local authority boundaries, enabling us to bring unique and detailed insights in this space.

## What we are proposing

3.6. We plan to undertake the following activities to help local authorities develop ambitious LAEPs:

- **Engagement:** We will engage extensively with all relevant stakeholders to ensure that we support local authorities with their plans as well as planning the future of our own networks. This will focus on engaging with 130 local authorities and local enterprise partnerships to understand their plans for housing, transport and industrial development. We will also

---

<sup>1</sup> Citizens Advice (May 2021), “Look before you LAEP: Ending the postcode lottery of local area energy plans”

engage with Gas Distribution Network (GDNs) operators on potential future heating solutions for different local areas to help develop whole system solutions. We will be proactive in engaging with local authorities supporting them to progress the pace they choose.

- **Provision of accessible information to local authorities:** We will proactively make available our DFES data in a format that is both relevant to local authorities (based on their geographical boundaries) and accessible (providing support for them to help understand technical issues where required).
- **Dedicated resource:** We will provide 4 Local Authority Engagement Engineers who will be dedicated to supporting local authorities in the development of their LAEPs. They will provide the technical expertise necessary to help local authorities understand the options they have available and to help them develop ambitious plans. This will help fill two of the gaps identified by the Citizens Advice report on expertise and capacity to deliver and having plans underpinned by transparently estimated costs.
- **Co-development of plans:** Our dedicated and expert engineers will work with local authorities on the development of their plans. They will discuss with the local authorities their local building plans and energy transition targets and provide a sense check of these against historical run-rates and the forward-looking connections pipeline to ensure the plans are built on robust assumptions. We will work with them to make sure that their plans recognise the capabilities of the distribution network to help ensure that any spare capacity can be utilised and to help keep costs down. This will ensure that the plans are built on robust technical evidence using techniques which consider the whole energy system merged with local authorities' own ambitions and policy objectives.
- **Sharing of best practice:** As identified by the Citizens Advice study, the approach adopted across the country has been inconsistent to date. We are aware that some local authorities are further advanced than others and they have different levels of capability. As part of this proposal, we will seek to share best practice amongst local authorities to ensure a levelling up of the quality of these plans and improve the impact that they can have.

**3.7.** This proposal will also help WPD in the planning of its own network development as our plans will be better informed by more robust local authority plans and this will help promote efficiency in our strategic network planning decisions.

**3.8.** In addition to the work that we will do with local authorities on LAEPs, we will also be working closely with the Welsh Government as it seeks to develop a National Energy Plan for Wales as part of the Net Zero Wales initiative. This project was included as a separate CVP in our first submission Business Plan. Having reflected on the feedback we received from stakeholders on this proposal, we have decided not to include a related CVP in this final Business Plan. Nevertheless, we remain fully committed to working alongside the Welsh government and other stakeholders in delivering this important plan for Wales.

**3.9.** Due to the wide and ambitious scope of this proposal we consider that it sits across two of the activity areas outlined by Ofgem for CVPs in its Business Plan Guidance:

- Proposals that demonstrate approaches to DSO activities that clearly go beyond the baseline expectations set out in Ofgem's roles and principles for DSO; and
- Proposals that exceed the minimum requirements that Ofgem has set out for whole system approaches.

## Why WPD is best placed to deliver this proposal

**3.10.** We believe that WPD is uniquely well placed to deliver this proposal, in support of the local authorities in our regions for the following reasons:

- Effective LAEPs will be dependent on detailed understandings of the energy system and the local energy networks to ensure that plans are aligned with system capabilities and

opportunities for coordination are maximised. Only WPD can offer this level of understanding of the local electricity networks that we operate and the wider system to help design tailored local energy plans.

- Working across all of the local authorities in our expansive operational footprint, we can help to ensure that a consistent approach is followed where appropriate. As we move through the price control, we can help local authorities learn lessons from our accumulated experience, which we believe will facilitate more streamlined and efficient planning processes. As highlighted above, approaches adopted in the development of LAEPs has been inconsistent to date. As an organisation working across several local authority areas, we can help to promote consistent, efficient and effective ways of working that meet the needs of local stakeholders.
- We are building on a solid track record. We already have close working relationships with many of the local authorities within our licence areas. With the additional dedicated resource that this proposal will provide, we can build on these existing relationships and develop new ones to help realise the ambitions of local authorities and the communities that they serve.
- We can local authorities with access to the data which will help them in the development of their LAEPs. We can work with them to interpret and make best use of the data we hold, including our assumptions around demand across our regions. No other party can offer this level of expertise in relation to our data.

**3.11.** As we set out in Section 5 below, 80% of stakeholders that attended a recent WPD event agreed that WPD was best placed to deliver this CVP.

## How our proposal delivers beyond expectations

### How WPD is doing something different to BAU activities

**3.12.** Assisting local authorities in this way (helping them co-develop their plans) and at this scale (engaging 130 local authorities and local enterprise partnerships) is not something we have done before and the level of ambition represents a substantial increase in our efforts and contribution in this area which we expect to deliver material benefits as discussed in Section **Error! Reference source not found..**

**3.13.** In providing a new ring fenced resource with a remit to focus specifically on the development of LAEPs, this proposal represents a step change in our engagement with local authorities when compared to past activity and is clearly above prior BAU.

### How WPD will go beyond RIIO-ED2 baseline expectations

**3.14.** As mentioned above, we consider that our proposal covers both the DSO and whole system CVP categories outlined by Ofgem in its Business Plan guidance and exceeds the baseline assumptions for the following reasons:

- By helping local authorities to develop ambitious and robust plans as proposed we will be able to enhance our own forecasting and network modelling capabilities as we will have better information upon which to base our plans and assessments.
- We are going far beyond making data available to relevant parties such as local authorities, which is required, for example, under Role 3 Activity 3.1 in Ofgem's Business Plan Guidance Appendix 4. Firstly, this is because we will be providing the data on a bespoke basis, tailored to each local authority's geographical area and, secondly, because we will be proactively engaging with the local authorities to ensure they understand the data and how it can be used in the development of their plans.

- This significantly increased ambition for engagement and co-development of plans with local authorities combined with engagement with GDNs and independent DNOs will also allow us to exceed expectations on whole system solutions as we will be uniquely placed to identify additional opportunities for coordination and savings across the energy system.

**3.15.** Moreover, the co-development of plans with local authorities addresses a clear deficiency in the current development of local plans as identified by Citizens Advice and ensures that WPD is doing everything it can with its data and expertise to improve the quality and robustness of these plans to help deliver a timely and efficient decarbonisation of the energy system.

## Our delivery plan

**3.16.** We committed to delivering the following as part of this CVP:

- Providing a dedicated team of 4 local authority engagement engineers to act as the direct interface between WPD and local authorities and local enterprise partnerships.
- Proactively engage with 130 local authorities and local enterprise partnerships to help them deliver their local area energy plans. We aim to ensure that a LAEP or equivalent arrangement is in place for 75% of our local authorities by the end of RIIO-ED2.
- Providing data in an accessible and useful format to local authorities with scope to discuss further with our dedicated engineer resource.
- Developing and agreeing roles, responsibilities and timelines for decarbonisation actions at a local level.
- Feeding the results from the process back into WPD's own network planning process to improve our own forecasting and also to better inform the future development of the local plans as circumstances change.

## 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.

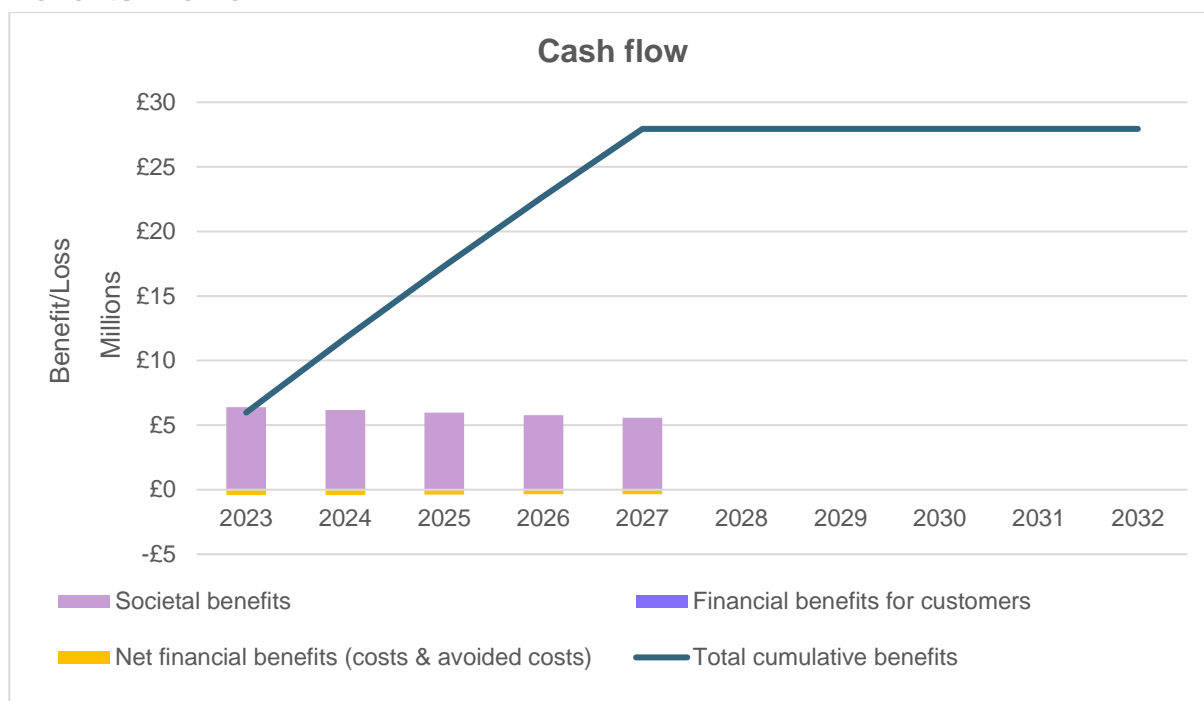
4.2. The table below provides the following results from our analysis:

- **Total cost:** The total cost of the proposal, in 2020/21 prices (in line with Ofgem's CBA templates).<sup>2</sup>
- **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
<b>Total cost</b>	£1,901,362.78	£1,901,362.78
<b>Total gross present value</b>	£29,843,288.35	£29,843,288.35
<b>NPV</b>	<b>£27,941,925.57</b>	<b>£27,941,925.57</b>
<b>SROI</b>	£14.70	£14.70

<sup>2</sup> 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 £2.25 million.

## Benefits Profile



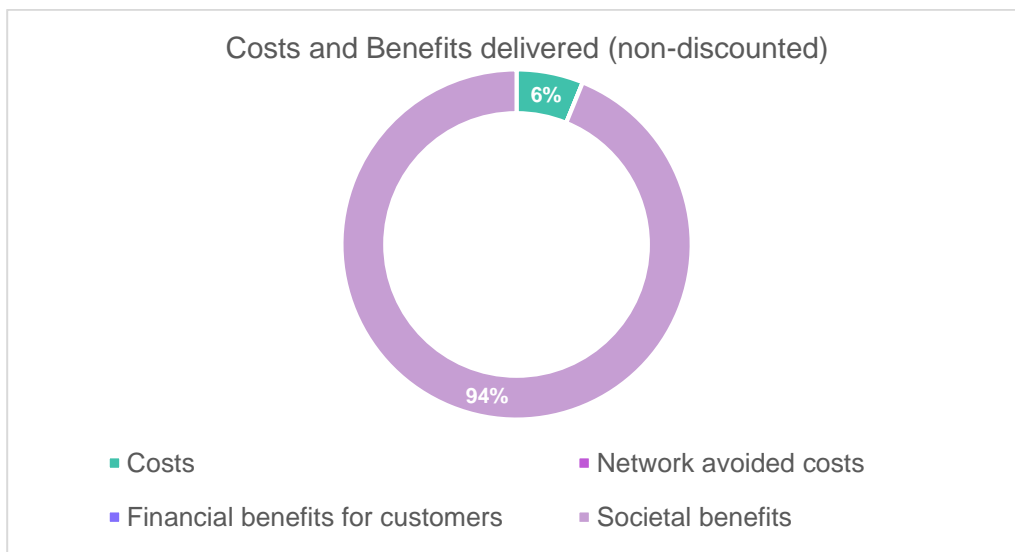
## Breakdown of benefits

- 4.3. Financial benefits:** The delivery of LAEPs requires work organisation and efficiency across a number of parties (BEIS, Ofgem, GDNs, infrastructure developers, regional bodies, and building owners to name a few). Savings will be made (i.e. reduced data and processing costs through standardisation, consultancy fees incurred across both software and engineering advisory) through the introduction of a structured process, led by WPD.

## Distributional impact

- 4.4.** In line with the breakdown above, this CVP delivers benefits for:
- The local authorities which are delivering the LAEP, and thereby the local domestic and business customers who fund that organisation through council tax and business rates.
- 4.5.** The chart below visualises this distribution, demonstrating the scale of costs and benefits that fall in each category.





## Approach to quantifying

### Costs

- 4.6. We estimate that the resource cost for this CVP will be £450,000 per year (4 people, 225 days @ £500 per day).

### Number of stakeholders

- 4.7. For this model, the number of stakeholders relates to the number of local authorities in WPD's four regions (East Midlands, West Midlands, the South West, and Wales). The total number of local authorities is 130, we estimate that we will carry out 100 planning processes (considering that some LAs may not develop LAEPs in this timeframe or may develop joint plans). This would result in 20 planning processes per year.

### Approach to quantifying financial benefits

#### Calculations and assumptions

- WPD's support will ensure that local authorities in the area follow a structured process, taking advantage of pre-existing connections, datasets, and approaches.
  - In a pilot study conducted to understand the impact of local area energy planning and the relevant costs involved, Energy Systems Catapult found that the latest study in Bury (the most reflective of the expected costs of scaling) had a short-term cost of £570k. This included a number of one-off costs and room for efficiencies.
  - In the same report, Energy Systems Catapult anticipated that for scale-up across local areas in the UK, a structured process would have an average cost of between £100k and £250k.
  - This places the benefit of a "structured process" – to be delivered by WPD – at £570k minus the top end of the estimate, £250k, at an average benefit of £320k per local area.
  - This assumes the benefit is achieved in the short term, relating to reduced consultancy and data costs and does not model for long term (i.e. 5-year plus staff costs of maintaining the planning).

## Calculation factors

- Success: 100%, it is assumed that WPD will deliver the benefits of a structured process to all of its local areas.
- Drop off: 100%, as the benefits are achieved once, at the beginning of the planning process, and do not continue into future years.
- 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: 10%, since proxy data from 2018.

## Sources

- Local Area Energy Planning: The Method (July 2020) – Centre for Sustainable Energy and Energy Systems Catapult.
- Local Area Energy Planning: Supporting clean growth and low carbon transition – Energy Systems Catapult.

## Changes from July's draft calculations

**4.8.** 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 have reduced the number of LAEP processes that WPD will support to account for smaller local authorities which may produce combined LAEPs. This also includes the possibility that some local authorities may choose not to carry out this process.
- We have assumed that WPD will support the delivery of 100 planning processes across our four license areas. We believe this is a reasonable and conservative estimate to account for the above, with at least 75% of LAs participating in a process within the RIIO-ED2 period. This translated to a reduction of over £8m in net present value.

## Monitoring Social Value during RIIO-ED2

**4.9.** The quantification work shown in this document will allow us to track the benefits we are delivering during RIIO-ED2 and compare to the value we have forecasted. To monitor the delivery of benefits for this CVP, we will make sure to track:

- The number of local authorities we engage to offer our support.
- The number of local authorities we support in one form or another.
- The number of completed LAEPs we help facilitate (and detail of the support involved).
- The estimated cost savings for each LA supported, based on available alternatives that would have achieved a similar outcome (e.g., consulting spend)
- Any additional benefits we have not considered as part of this evaluation.

**4.10.** We will use the information we collect to monitor how we are performing against the benefits we have calculated for each year. If 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 the plan. The specific feedback we received from stakeholders that is relevant to this proposal is set out below.
- 5.2.** 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 those stakeholders at the event, 80% ‘agreed’ or ‘strongly agreed’ that WPD was best placed to deliver this proposal. 93% 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.
- 5.3.** At earlier stages in the development of this Business Plan, we have seen widespread agreement among stakeholders that they would welcome a greater level of coordination between us, our local authorities and enterprise partnerships so that together we can deliver aligned energy plans and streamline the sharing of information. Stakeholders have told us that greater engagement between WPD and these groups could help in assessing whether there are gaps in EV charging infrastructure and also suggested having a local contact so they can see whether local authority plans match WPD’s. We received feedback that the Local Development Plan should be the vehicle used for local network planning but that stakeholders require more upfront information on capacity available and what costs are involved.
- 5.4.** We initially proposed to stakeholders that we would engage with each of our local authorities once every three years to understand their requirements and sharing information on network capacity. A large majority (74%) of our stakeholders wanted us to be more ambitious, with the greatest proportion (53%) favouring annual contact with each local authority. Additionally, as set out above, this CVP proposal would now see us going far beyond simply providing information on network capacity.

### 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 commitments to delivering an environmentally sustainable network – one of our three high-level output categories for RIIO-ED2.
- 5.6.** Our overarching commitment here is to manage the impact of our activities on the environment and enable the transition towards a smart, flexible, low cost and low carbon energy system for all consumers and network users. This initiative relates to the following core Business Plan commitment, which set out at a more detailed level how we intend to deliver for our customers in RIIO-ED2. Further details on this commitment can be found in Supplementary Annex SA-02: Our commitments.

## Delivering an environmentally sustainable network

### Core commitment 3

*Make it easy for customers to adopt low carbon technologies and achieve net zero in their regions sooner than 2050, by driving the delivery of ambitious Local Area Energy Plans and proactively engaging with all 130 local authorities each year via 90 local energy surgeries*



## 6. Accountability for delivery

### What will happen if outputs are not delivered

- 6.1.** We are committed to delivering this proposal to engage with our local authorities and support them in developing their local area energy plans so the benefits set out above can be secured for consumers. We believe the steps we outline above will ensure that the initiative will be a success.
- 6.2.** As a measure of success for the CVP, we propose to track the number of local authority areas covered by a LAEP and ensure that a LAEP or equivalent arrangement is in place in 75% of cases by the end of RIIO-ED2. Though we aspire to ensure that all local authorities are covered by a LAEP, we recognise that it is not within our sole control to ensure this and we therefore believe that 75% is a stretching but achievable target.
- 6.3.** If for any reason we are unable to deliver on this proposal, we propose to:
- Return a proportionate amount of any associated CVP reward under the Business Plan incentive to ensure that consumers do not pay for something that they have not received; and
  - Undertake other initiatives to help local authorities plan for their decarbonised energy futures.
- 6.4.** We intend to engage with Ofgem to discuss how this may best be implemented in RIIO-ED2.

## 7. Eligibility checklist

Item	Description
<b>Relevant CVP area</b> (as per <i>Ofgem's RIIO-ED2 Business Plan Guidance</i> )	<ul style="list-style-type: none"> <li>Proposals that demonstrate approaches to DSO activities that clearly go beyond the baseline expectations set out in our roles and principles for DSO; and</li> <li>Proposals that exceed the minimum requirements that we have set out for whole system approaches.</li> </ul>
<b>Does this proposal entail new activities vs RIIO-ED1?</b>	<p>✓ <b>Yes</b> – see section 3</p> <p>This is not an activity we have undertaken before and represents a step change in our interaction with local authorities around LAEPs.</p>
<b>Does this proposal go beyond BAU activities?</b>	<p>✓ <b>Yes</b> – see section 3</p> <p>As above, this is not an activity we have undertaken before and represents a step change in our interaction with local authorities around LAEPs.</p>
<b>Does this proposal exceed RIIO-ED2's baseline expectations?</b>	<p>✓ <b>Yes</b> – see section 3</p> <ul style="list-style-type: none"> <li>By helping local authorities to develop ambitious and robust plans as proposed we will be able to enhance our own forecasting and network modelling capabilities as we will have better information upon which to base our plans and assessments.</li> <li>We are going far beyond making data available to relevant parties such as local authorities as we will be doing it a) on a bespoke basis for their geographical area, and b) we will be proactively engaging with them on the data to ensure they understand it and that it feeds into their plans.</li> <li>This significantly increased ambition for engagement and co-development of plans with local authorities combined with engagement with GDNs will also allow us to exceed expectations on whole system solutions as we will be uniquely placed to identify additional opportunities for coordination and savings across the energy system.</li> </ul>
<b>What additional value does this proposal provide to customers?</b>	<p>✓ <b>Meets Ofgem's criteria</b> – above £3 million threshold of net benefits.</p> <p>In particular, this CVP proposal brings £27.9 million of additional value to customers over a 5-year period – 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 their 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 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.

# WESTERN POWER DISTRIBUTION

*Serving the Midlands, South West and Wales*



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](http://www.westernpower.co.uk)



     @wpduk