



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

**CVP-6: Deliver an annual £1 million 'Community Matters' Fund, funded entirely by shareholders, to achieve positive community outcomes in relation to vulnerability, environment and education.**

# Version Control

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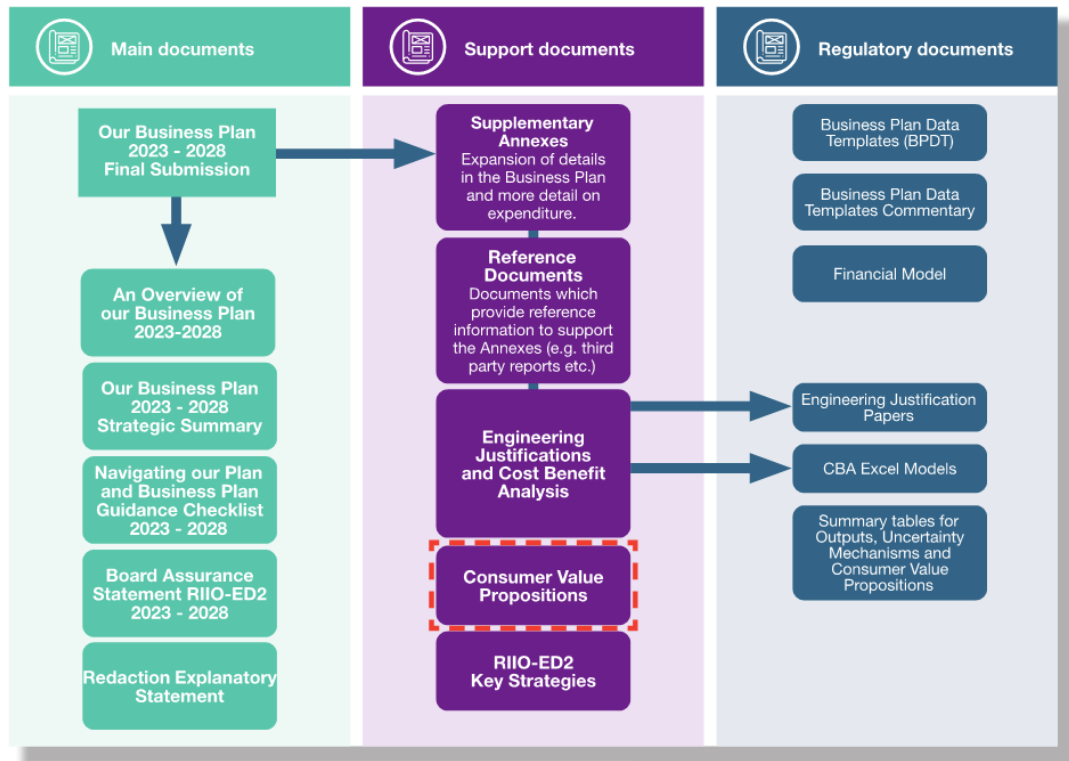
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# Navigating our plan

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

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



## 1. Summary

**Supporting  
the local  
communities**

that rely on us to  
deliver the services  
they need

**300,000  
vulnerable  
customers**

to be supported in  
communities  
across our regions

### **CVP-6**

Deliver an annual £1  
million 'Community  
Matters' Fund,  
funded entirely by  
shareholders

**1,000 staff  
volunteering  
days**

for each year in  
RIIO-ED2

**£16.9 million  
of benefits**

across RIIO-ED2,  
based on data from  
previous projects  
funded by WPD



## 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-6: Deliver an annual £1 million 'Community Matters' Fund, funded entirely by shareholders, to achieve positive community outcomes in relation to vulnerability, environment and education.***

## What this Consumer Value Proposition includes

- 2.8. Supporting vulnerable customers is a key priority in our Business Plan. We have done this throughout the Covid-19 pandemic through the 'In This Together -Community Matters' fund, which was launched in response to the difficulties our communities were facing. We remain committed to helping our most vulnerable customers overcome financial hardship, by bolstering the local initiatives that play a crucial role in our communities.
- 2.9. This document sets out how this proposal goes beyond our core commitments, through the Social Contract we have created with stakeholders to enable greater environmental and societal benefits for our local communities.
- 2.10. Reflecting the feedback we received on our Business Plan first submission in July 2021, we have updated our proposal in the following ways:
- We have set out clearly why we believe WPD is best placed to deliver this initiative.
  - We have clarified the ways in which the proposal delivers beyond 'Business as Usual' (BAU) and Ofgem's baseline expectations.
  - We have updated the way we have calculated the benefits that will arise from delivery of the proposal and how we will track the delivery of benefits during RIIO-ED2 (these updates are described in more detail in Section 4).
  - We have reflected the latest stakeholder views on our proposal.
- 2.11. 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 Error! Reference source not found.. Error! Reference source not found.:** explaining how this initiative addresses priorities raised by our customers.
  - **Section Error! Reference source not found.. Error! Reference source not found.:** defining what the key outputs are and what WPD proposes if outputs are not delivered.
  - **Section Error! Reference source not found.. Error! Reference source not found.:** 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.
- How our proposal delivers beyond expectations.
- Our delivery plan.

### Background

- 3.2. WPD has a vital role to play in supporting customers in vulnerable situations. We understand this and have actively worked with partner organisations during the RIIO-ED1 period to help ensure that our customers receive the support that they need.
- 3.3. WPD is strongly committed to leading the way in the transition towards a greener, more sustainable energy distribution industry. At the same time, this process must be inclusive, enabling customers to participate and access the potential benefits that decarbonisation brings.
- 3.4. In this context, WPD wants to make a difference in the local communities it serves. Through the initiative set out in this document, our shareholders are proud to commit themselves to spend £1 million from their own funds to achieve positive community outcomes in relation to vulnerability, education and the environment.

### What we are proposing

- 3.5. This initiative aims to support 300,000 vulnerable people in various communities across our region. This will be achieved through contributions from our shareholders. To support this activity, this proposal also entails establishing a volunteering scheme encouraging staff to volunteer at local community projects.
- 3.6. We are proposing to specifically provide support in key areas where WPD has expertise and partnerships that can be leveraged to achieve the greatest benefits for local communities, particularly for vulnerable customers and for the environment. These key areas are listed below:
- **STEM** - Activities aimed to encourage more participation in science, technology, engineering and mathematics and the future career opportunities these subjects can offer.
  - **Diversity** - Activities aimed to encourage diverse workforces and inclusivity for all.
  - **Safety** - Activities aimed at encouraging people to stay safe when working and enjoying leisure activities.
  - **Low carbon and energy efficiency** - Activities aimed at reducing carbon emissions and energy use to support the achievement of net zero.
  - **Vulnerability** - Activities aimed at providing support to those who most need help in our communities.
- 3.7. Examples of the types of activities anticipated under each of the intervention areas are set out in Error! Reference source not found..



**Table 1. Programme of activities delivered through CVP-6**

Areas of intervention	Example activities
<b>STEM</b>	<ul style="list-style-type: none"> <li>Recruitment and training of STEM ambassadors across a range of sectors and organisations, <i>i.e. enables opportunities to work with schools, mentor, careers advice, etc.</i></li> <li>Supporting wider STEM education activities, <i>e.g. more STEM resources in schools; develop a WPD online resource offering; Duke of Edinburgh initiatives; Scouts/Guides education packages.</i></li> <li>Green power initiatives and technology installations in schools and community centres.</li> </ul>
<b>Diversity</b>	<ul style="list-style-type: none"> <li>Funding for skills training packages.</li> <li>Mentoring services.</li> <li>Innovation initiatives to encourage diversity in the workplace.</li> </ul>
<b>Safety</b>	<ul style="list-style-type: none"> <li>Provision of community defibrillators.</li> <li>Improving access to local safety centres.</li> <li>Expansion of local safety centre education packages and outreach.</li> <li>First aid training and resource packages.</li> <li>Expert training packages for key groups working in and around the electricity network, <i>e.g. farmers and construction.</i></li> </ul>
<b>Low carbon and energy efficiency</b>	<ul style="list-style-type: none"> <li>Community advice services.</li> <li>Conservation activities, such as tree planting, biodiversity and park renovations.</li> <li>Innovation initiatives to remove barriers to participate in a low carbon future, <i>e.g. support for disabled drivers to access electric vehicle charging.</i></li> </ul>
<b>Vulnerability</b>	<ul style="list-style-type: none"> <li>Home deliveries for the socially isolated.</li> <li>Befriending services, to support mental health and wellbeing</li> <li>Meal support.</li> <li>Improving online and face-to-face access services for organisations supporting vulnerable customers.</li> <li>Priority Service Register additions.</li> <li>Fuel poverty alleviation services.</li> </ul>

**3.8.** To assist in the delivery of these activities, WPD will establish a volunteering scheme encouraging our staff to volunteer at local community projects. As a clear commitment of our support for this, we will allocate 1,000 staff volunteering days every year during RIIO-ED2.

**3.9.** According to the criteria set out by Ofgem in relation to the submission of CVP initiatives, this initiative would sit within the category of “*Proposals that demonstrate approaches to providing*

*services to vulnerable consumers that clearly go beyond the baseline expectations*” in relation to the specific support to be provided to users in areas of economic deprivation..

- 3.10. In addition, the initiative may be classified under “*Proposals that exceed the baseline expectations set out for Environmental Action Plans*” due to the expected outcome of reducing the carbon footprint of entities other than WPD.

## Why WPD is best placed to deliver this proposal

- 3.11. The Community Matters fund is an initiative funded solely by the shareholders of WPD with the intention of achieving positive community outcomes in relation to vulnerability, safety, diversity, the environment and education. Our shareholders want to demonstrate their passion and commitment to the communities that WPD serves and believe that this fund is the best way that they can make a positive direct impact across a spectrum of activity areas.
- 3.12. Our strong track record of delivering £1 million of funding to financially sustain local good causes during the Covid-19 pandemic provides an excellent springboard through which to deliver this initiative in a way that generates the maximum benefits for our communities. Building on our Covid-19 fund and extensive customer vulnerability and fuel poverty schemes, we are well placed to provide specific support in these key areas where WPD has expertise and partnerships that can be leveraged to achieve wider positive impact.
- 3.13. Additionally, and as set out in Section 5 below, 86% of the stakeholders at a recent engagement event agreed that WPD was best placed to deliver this proposal.

## How our proposal delivers beyond expectations

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

- 3.14. WPD’s current activities in this space are focused on providing relevant support and information to vulnerable and fuel poor customers through our network of referral partners. To the extent WPD may have delivered initiatives with similarities to those proposed here, this CVP goes beyond any past activity, as all costs will be met by shareholders.
- 3.15. This initiative provides far wider support than our traditional fuel poverty services, with WPD providing additional assistance to our most vulnerable customers through a dedicated series of activities, such as meal support, befriending services, and mental health and wellbeing services, among other activities.

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

- 3.16. Baseline expectations for vulnerable customers and in relation to our Environmental Action Plan are set out in the RIIO-ED2 Business Plan Guidance.
- 3.17. Baseline expectations for understanding new forms of vulnerability include expectations that we will:
- Have an extensive network of partnerships with a range of organisation types, from multiple sectors including other utilities.

- Make use of referral channels and signposting support for customers.
- Be involved in two-way flow partnerships supporting vulnerable customers, in line with the companies' understanding of social issues in their region.
- Have a clear process for identifying which partnerships are likely to be most effective at delivering benefits through co-operative working.

**3.18.** The Business Plan Guidance also sets out baseline expectations in relation to Environmental Action Plans. This initiative provides additional environmental benefits beyond those covered by WPD's Environmental Action Plan and will support reducing the community carbon footprint via activities that reduce carbon emissions in our communities.

**3.19.** This CVP initiative goes beyond these baseline expectations for the following reasons:

- Baseline expectation for vulnerable customers require that we use referral channels and provide signposting support for the services that we offer to vulnerable customers. WPD will exceed baseline expectations for vulnerable customers via this proposal, as it will involve a wider range of direct support activities for vulnerable customers.
- Promotion of activities that reduce carbon emissions in our communities does not relate to our own Business Carbon Footprint. Hence, any actions supporting the reduction of communities' environmental impacts represents activity beyond baseline expectations for EAPs.

## Our delivery plan

**3.20.** WPD has a clear understanding of what success will look like under this initiative and a robust measurement programme. Success will be assessed against the following performance measures:

- **Full investment of budget allocated every year:** £1 million to be spent every year within RIIO-ED2.
- **Delivery of initiatives across all five areas as per programme of activities:** ensure the activities delivered cover all the areas defined in **Error! Reference source not found..**

**3.21.** In Section 4, we set out in more detail how we intend to monitor the delivery of benefits associate with this proposal in RIIO-ED2.

**3.22.** We would dedicate a **£1 million** annual budget for this initiative.

**3.23.** This initiative would start from Year 1 of the RIIO-ED2 period (i.e. from 2023) and it would be carried out every single year of the price control period.

## 4. Benefits generated by our proposal

### Results of quantification

#### 5 and 10-year results

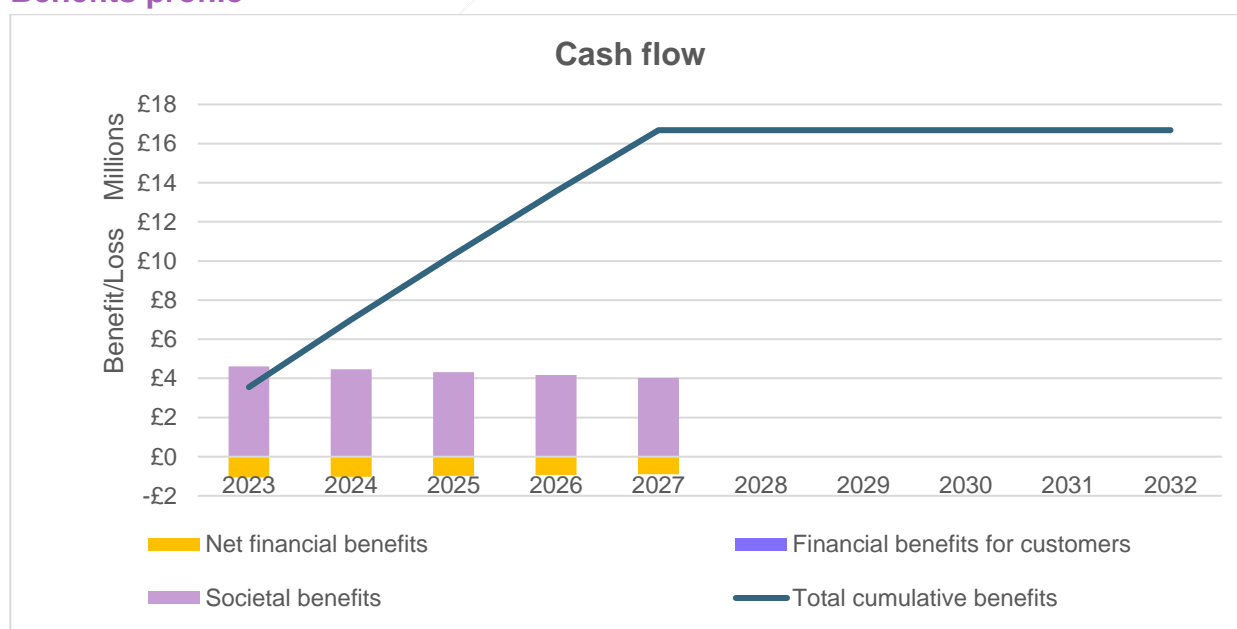
4.1. In line with the joint social value framework, agreed with the five other DNOs and shared with Ofgem in 2020, we have modelled the benefits of this CVP over both a 5 and 10-year appraisal period. More detail on the joint social value framework can be found in Section 8.

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

- **Total cost:** The total cost of the proposal, in 2020/21 prices (in line with Ofgem's CBA templates).<sup>1</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>	£4,908,413.01	£4,908,413.01
<b>Total gross present value</b>	£21,591,132.46	£21,591,132.46
<b>NPV</b>	<b>£16,682,719.44</b>	<b>£16,682,719.44</b>
<b>SROI</b>	£3.40	£3.40

#### Benefits profile



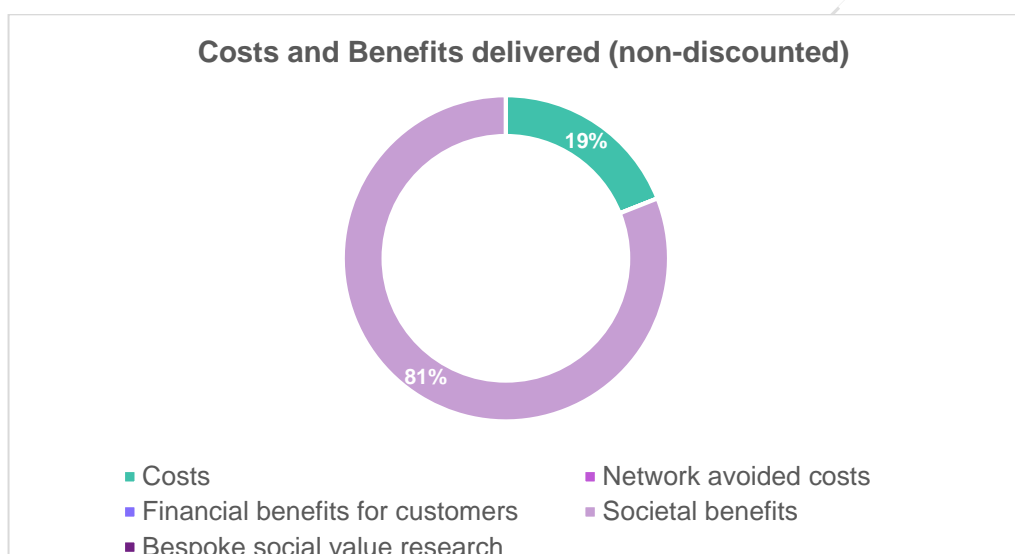
<sup>1</sup> As per the discounting applied to all costs and benefits, this figure shows the present value of costs in 2020/21 prices. The values described in the costs section below are expressed in nominal values, i.e. the actual £ prices. For this CVP, the total undiscounted cost is £5.8 million.

## Breakdown of benefits

- 4.3. **Societal Benefits.** Past data from projects and support funded by WPD was used to determine an average gross return per pound spent that could be used to apply to the total amount to be invested per year. We also measured the value to society of the volunteering days we have committed to.

## Distributional impact

- 4.4. In line with the breakdown above, this CVP delivers benefits to:
- Vulnerable customers who will receive support as part of this CVP.
  - Communities within WPD's regions, who will benefit from the initiatives delivered and our volunteering days.
- 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. WPD's cost for this CVP is
- £1 million per year, associated to the Community Fund
  - £162k per year, associated with our volunteering days.

### Number of stakeholders

- 4.7. At this stage, there is no information of the specific initiatives or projects the money will be invested in. To model the benefits of the Community Fund, we used data from past grants



awarded to projects that relate to the categories that this fund will focus on. We calculated an average gross return per pound spent, which we then used with the planned yearly investment (as 'stakeholders' in the model) to calculate total benefits.

- 4.8. To calculate the benefits associated to our volunteering days, we used the number of days we have committed per year as 'stakeholders' in the model.

## Approach to quantifying societal benefits

### Calculations and assumptions (Average gross return).

- 4.9. The fund proposed will support initiatives across five categories: Vulnerability, Low-carbon, Safety, STEM and Diversity:

- Vulnerability: Past data was available for initiatives funded by WPD during 2020. This data was categorised and main types of initiatives were modelled to obtain an average gross return for every pound spent.
- Low-carbon: Past data on a tree planting initiative was used to model benefits per pound spent.
- Safety: An initiative on safety had already been modelled as part of the Business Plan commitments evaluation, this was used to establish the return per pound spent.
- STEM and Diversity: No past data or modelling was available for these categories. Given that we expect initiatives to be able to prove they will deliver benefits, we have taken a conservative approach to assume a £1 gross return per pound spent for both categories.

See below for more detail on how each of the average gross returns were calculated for the first three categories.

#### Vulnerability

- 4.10. A sample of 101 initiatives funded by WPD in 2020 was categorised according to the type of initiative. Those with the biggest percentage were modelled to obtain the benefits obtained in the year of investment.

- Home Deliveries: 101 examples of grants awarded in 2020 were categorised, 27 of them related to support for home deliveries, with an amount granted equal to £69,150 and benefitting 16,838 people.
  - Assumed every person that benefitted got 2 deliveries
  - Cost per delivery = £4
  - Savings per person = £8
- Meal Support: 101 examples of grants awarded in 2020 were categorised, 31 of them related to meal support or food banks, with an amount granted equal to £82,912 and benefitting 14,503 people.
  - Assumed every person that benefitted got at least one meal.
  - Meal cost = £6.50 per person.
- Online Support: 101 examples of grants awarded in 2020 were categorised, 15 of them related to online support, with an amount granted equal to £57,252 and benefitting 3,229 people.
  - Assumed every person got 1 month of online support.
  - Annual cost of loneliness = £600/person/year.

- Benefits from one month of support:  $600/\text{person}/\text{year} * 1 \text{ year}/12 \text{ months} = £50/\text{person}$ .
- Mental Health Support: 101 examples of grants awarded in 2020 were categorised, 7 of them related to mental health, with an amount granted equal to £6,678 and benefitting 15,776 people.
  - Assumed every person got 30mins of mental health support.
  - Cost of counselling session = £55/hour.
  - Benefits from 30mins support:  $£55/\text{hour}/2 = £27.50 \text{ per person}$ .

**4.11.** The gross return per pound spent for each type of initiative was obtained through modelling the benefits above and a simple average was calculated to use as proxy for the Vulnerability category:

- Home Deliveries: Returns gross benefit of £2.09 per pound spent.
- Meal Support: Returns gross benefit of £1.18 per pound spent.
- Online Support: Returns gross benefit of £3.17 per pound spent.
- Mental Health: Returns gross benefit of £76.50 per pound spent.
- **Average = £20.74 per pound spent.**

#### Low carbon

**4.12.** WPD spent £4,000 in planting 3,000 trees in 2020:

- Assumed as if all trees planted in Year 1 and benefits obtained from Year 1.
- Carbon sequestered per tree over 50-year period = 0.1574 tonne CO<sub>2</sub>e or 3.15 kg CO<sub>2</sub>e/tree/year.
- $3000 \text{ trees} * 3.15 \text{ kg CO}_2\text{e}/\text{tree}/\text{year} = 9.5 \text{ tonne CO}_2\text{e per year}$ .
- Assumption benefits last for 10 years.
- Returns gross benefit of **£1.3 per pound spent**

#### Safety

**4.13.** We used modelling carried out for one of our Business Plan commitments around Energy Safety Education, which included education for 80,000 children per year.

- Includes avoided cost of fatality – using the number of electricity deaths over the UK population and the cost of fatality from the DNO Proxy Bank
- Avoided hospital admissions – using the number of electricity injuries over the UK population and the cost of elective and non-elective admissions from the DNO Proxy Bank
- Avoided ambulance cost – using the number of electricity injuries over the UK population and the cost of ambulance service from the DNO Proxy Bank.
- For all we have assumed that 64% of people follow the advice, using the proxy for energy efficiency advice take-up.
- This results in **£0.17 gross return per pound spent.**

**4.14.** Finally, we took the returns for each category and calculated an average to use as proxy for the money invested in this fund:

- Vulnerability: Returns gross benefit of £20.74 per pound spent.
- Low-carbon: Returns gross benefit of £1.3 per pound spent.
- Safety: Returns gross benefit of £0.17 per pound spent.
- **Average across 3 categories with data available = £7.4 per pound spent.**
- STEM: Assumed a gross benefit of £1 per pound spent.
- Diversity: Assumed a gross benefit of £1 per pound spent
- **Average across 5 categories = £4.84 per pound spent.**

- 4.15.** To be conservative, we have used the lower value of £4.84 to calculate the benefits of this CVP. We believe that it is likely that this will be higher, given the returns seen across vulnerability initiatives in fuel poverty are higher than the estimate used here, and that STEM and Diversity categories were assumed to deliver a net return of zero, which is unlikely.
- 4.16.** To calculate the benefit associated to our commitment around volunteering days, we used the value of £95.35 per day, as per the DNO Proxy Bank. This resulted in a benefit of £547k over 5 years (non-discounted).

## Calculation factors

### Home Deliveries:

- Success: 100%, it is expected all benefitted from at least two deliveries.
- Drop off: 100%, we only modelled the benefits for the same year of investment.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 5%, based on Proxy Bank.

### Meal Support:

- Success: 100%, it is expected all benefitted from at least one meal.
- Drop off: 100%, we only modelled the benefits for the same year of investment.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 5%. based on Proxy Bank.

### Online Support:

- Success: 100%, it is expected all benefitted from at least one month of support.
- Drop off: 100%, we only modelled the benefits for the same year of investment.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 10%, based on Proxy Bank.

### **Mental Health Support:**

- Success: 100%, it is expected all benefitted from at least one 30 mins of support.
- Drop off: 100%, we only modelled the benefits for the same year of investment.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 15%, based on Proxy Bank.

### **Tree Planting:**

- Success: 100%, it is expected all trees planted will provide the estimated carbon benefit.
- Drop off: 0%, we assume benefits from trees planted will continue over time.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 10%, given the generalisations regarding type of tree.

### **Safety:**

- Success: 0.000004% for avoided fatalities and 0.00022% for avoided injuries, as per proxy detail above.
- Drop off: 100%, since we want to take a conservative approach and assume the advice can be forgotten.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 10%, based on Proxy Bank

### **Volunteering:**

- Success: 100%, we expect to meet our target of 1,000 volunteer days.
- Drop off: 100%, since benefits only last for 1 year.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 0%, based on Proxy Bank

## **Sources**

- Cost of delivery: SROI Proxy Bank.
- Cost of meal: Age UK Meal Delivery Service.
- Cost of loneliness: SROI Proxy Bank.
- Cost of one hour of counselling: SROI Proxy Bank.
- Carbon sequestered per tree: UK Forestry Commission Carbon Lookup Tables.
- Number of electricity deaths and injuries: ESQCR: Safety-related electrical incidents reported to HSE in Great Britain 2015/16 - 2019/20.

- Cost of ambulance and hospital admissions: National Schedule of NHS costs - Year 2018-19 - NHS trust and NHS.
- Cost of avoided fatality: SROI Proxy Bank.
- % people that follow safety advice: Westminster Sustainable Business Forum, Warmer & Greener: A guide to the future of domestic energy efficiency policy
- Value of volunteer day: SROI Proxy Bank

## Changes from July's Draft Calculations

**4.17.** 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 some changes from our previous submission which are detailed below:

- We have adjusted the average gross return per pound spent according to the categories of the Community Fund. In our previous version of this quantification, we had used the average gross return based on data from past grants for the following types of initiatives: Home Deliveries, Meal Support, Online Support, Mental Health Support and Tree Planting.
- To better align with the funding categories, we decided to group the first four as representative of the Vulnerability funding category, obtaining an average gross return for this category by averaging the gross returns of each.
- We used the Tree Planting gross return as the estimated return for the Low-Carbon Category.
- For the Safety category, we used the gross return we had modelled for one of our safety-related commitments.
- For the STEM and Diversity categories we could not find past data that could give us an estimated gross return. Given the requirements we will set for the grants we expect that these will at least cover the costs, and therefore we used a £1 expected gross benefit per pound spent for each as a conservative estimate.
- Finally, to obtain the overall gross return we calculated the average across the five categories. This gave us a value of £4.84 per pound spent, compared to £16.85 in our previous calculation, leading to a reduction of over £50m in net present value.
- We believe this is a more conservative estimate that considers those categories of funding where returns may be lower than those seen to date with schemes targeting vulnerable customers.
- We have added a benefit associated to our commitment to deliver 1,000 volunteering days per year, as this commitment is closely related to our Community Fund. This reduced the net present value of benefits by approx. £200k.
- We have also taken note of the recommendations following the audit on the DNO Social Value Framework. We understand that there is currently not sufficient detail provided on the reach and benefits that the initiatives funded will have, unfortunately because of the nature of this CVP we cannot provide that level of detail at present. We will make sure to collect and report on this during RIIO-ED2, as per the section below.
- Finally, following the recommendations of the audit mentioned above, we have decided to change the drop off considered for the Safety category. We had previously considered this to be 50% (as in 50% of people forget the safety advice provided) but have decided to take a more conservative approach and changed this to 100%. This reduced the total net present value of this CVP by £130k.



## Monitoring Social Value during RIIO-ED2

- 4.18.** The quantification work shown in this document will provide a structured approach for tracking the benefits we are delivering during RIIO-ED2 and help us compare the value to what we have forecasted. To monitor the delivery of benefits for this CVP, we will track the following:
- Number of volunteering days per year, including the type of activity carried out.
  - Number of organisations that have been awarded funding in each category of our Community Fund.
  - The initiatives that have been funded for each organisation.
  - The benefits obtained as a result of the funding provided
  - The number of people that benefitted from each initiative.
  - Where possible, how long the benefits lasted for.
- 4.19.** 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.
- 4.20.** The nature of this CVP will likely lead to differences between actual benefits delivered and forecasted values when assessed per year. This will depend on the focus of the funding awarded every year, and whether some categories show more returns than others. Still, we expect the average gross benefits across categories to be at least those quantified in this document.

## 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, 86% ‘agreed’ or ‘strongly agreed’ that WPD was best placed to deliver this proposal. 80% of stakeholders at the event said that they ‘agreed’ or ‘strongly agreed’ that the proposal was acceptable. No stakeholders who attended the event expressed a view that the proposal was unacceptable.
- 5.3. When consulted about our Social Contract commitments at an earlier stage in the development of our plan, stakeholders expressed support for our staff to be encouraged to volunteer for initiatives that enable them to share their skills. Among the ideas discussed, these included pro-bono activities and social involvement with educational institutions such as schools and universities with the aim of promoting interest in the built environment, energy and engineering topics.
- 5.4. In response to our Business Plan consultation, some stakeholders expressed reservations about whether it was appropriate that customers’ money should be given to activities of this nature, which led us to rescope the commitment so that it will be funded entirely by shareholders and therefore at no cost to customers. In addition, a significant proportion of stakeholders (around 63%) supported our idea of allocation 1,000 volunteering days per year for WPD staff to support local community initiatives associated with vulnerability and environmental initiatives.

### Supporting our Business Plan

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

## Meeting the needs of our consumers and network users

### Core Commitment 23

*Support and add significant value to our local communities via a 'Community Matters' social initiative associated with the smart energy transition, vulnerability, environment and sustainability. This will include a shareholder funded annual £1 million community support fund and 1,000 volunteer days per year for WPD staff to support local causes.*

## 6. Accountability for delivery

### What happens if outputs are not delivered

- 6.1.** We are committed to this proposal, which we believe will deliver impactful schemes for the benefit of our communities. If for any reason we are unable to deliver our commitment, we propose to:
- Return any associated CVP reward under the Business Plan Incentive on a proportionate basis to ensure that consumers are protected and do not pay for something that they have not received; and
  - Help vulnerable customers in other ways to ensure that they are best supported through the energy transition.
- 6.2.** 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 providing services to vulnerable consumers that clearly go beyond the baseline expectations.</li> <li>Proposals that exceed the baseline expectations set out for Environmental Action Plans.</li> </ul>
<b>Does this proposal entail new activities vs RIIO-ED1?</b>	<p>✓ <b>Yes</b> – see section 3</p> <p>This proposal represents a comprehensive new programme of activities that we have not undertaken before.</p>
<b>Does this proposal go beyond BAU activities?</b>	<p>✓ <b>Yes</b> – see section 3</p> <p>Our current activities in this area are focused on providing relevant support and information to vulnerable and PSR customers through the appropriate channels, as well as reducing our business carbon footprint, but do not include providing vulnerable customers with social support and engaging in further community activities.</p>
<b>Does this proposal exceed RIIO-ED2's baseline expectations?</b>	<p>✓ <b>Yes</b> – see section 3</p> <p>Our proposed programme of activities provides additional support to our most vulnerable customers through a dedicated series of interventions, which go beyond the baseline expectation of providing relevant support and information to vulnerable and PSR customers through the appropriate channels.</p> <p>The Promotion of activities that reduce carbon emissions in our communities does not relate to our own Business Carbon Footprint. Hence, any actions supporting the reduction of communities' environmental impacts represents activity beyond baseline expectations for EAPs.</p>
<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>This CVP proposal brings <b>£16.9million</b> 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.

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