

Western Power Distribution's 2023 – 2028 First Draft Business Plan

Briefing Note for Community Energy Groups



Introduction

“Our vision for community and local energy is for it to be a strong and resilient part of our energy sector, playing an important role in achieving net zero, and ensuring fairness so that the most vulnerable are not left behind.”

WPD Community Energy Strategy 2020

Have your say

In our Community Energy Strategy published last year we committed to consulting specifically with you, community and local energy stakeholders, on our first draft Business Plan for 2023-2028.

Over the past two years, starting with a blank sheet of paper, we have engaged with thousands of stakeholders to co-create our Business Plan. Stakeholders identified supporting community energy projects as one of the highest priorities for Western Power Distribution (WPD) in relation to driving innovation and new services. We have now published the first draft of our Business Plan, along with a consultation document.

The aim of this briefing is to ensure that you as community and local energy stakeholders can have your say on our first draft plan and our core commitments. We have aimed to pull out and explain those draft commitments that are particularly relevant to your priorities. However, we would also be keen to hear from you where communities may be able to work with WPD to achieve our broader business plan objectives and create value for all customers (for example by providing flexibility in how power is used).

To have your say on our 67 draft commitments we would encourage you to respond to our formal consultation at <https://yourpowerfuture.westernpower.co.uk/have-your-say/riioed2-business-plan-consultation>, the deadline is 28th February.

If you would find it more helpful we are also offering you the opportunity to talk through the plan with our partners, sustainable energy experts Regen, who can help you understand how it will affect you and go through some questions with you on the phone. They will collate your comments for us so we can take account of them in our Business Plan. You can contact Prina at Regen (psumaria@regen.co.uk) to book in a call.

Our role

We are one of the six Distribution Network Operators (DNOs) that deliver electricity to homes and businesses across Great Britain. Our network is the largest in the UK, operating from the Lincolnshire coast, across the Midlands, South Wales and the South West to the Isles of Scilly. We deliver electricity to over 7.9 million customers over a 55,000 square kilometre service area and we employ over 6,500 staff. We are not a supplier. We do not buy and sell electricity, or directly bill customers. Our four key business tasks are:

1

Operating our network assets to ensure we ‘keep the lights on’ for all of our customers

2

Maintaining the condition and therefore reliability of our assets

3

Fixing our assets should they get damaged or if they are faulty

4

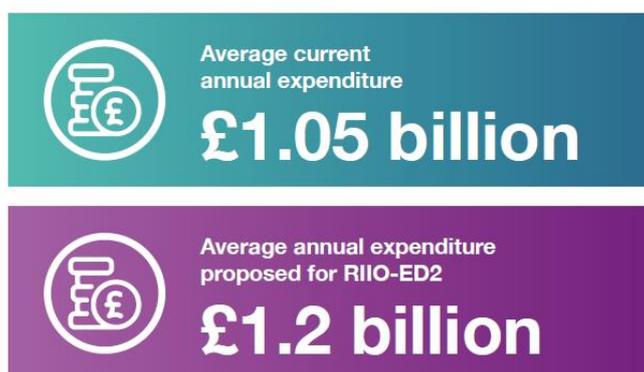
Upgrading the existing network or building new ones to provide additional electricity supply or capacity to our customers

Our business plan, expenditure and customer bills

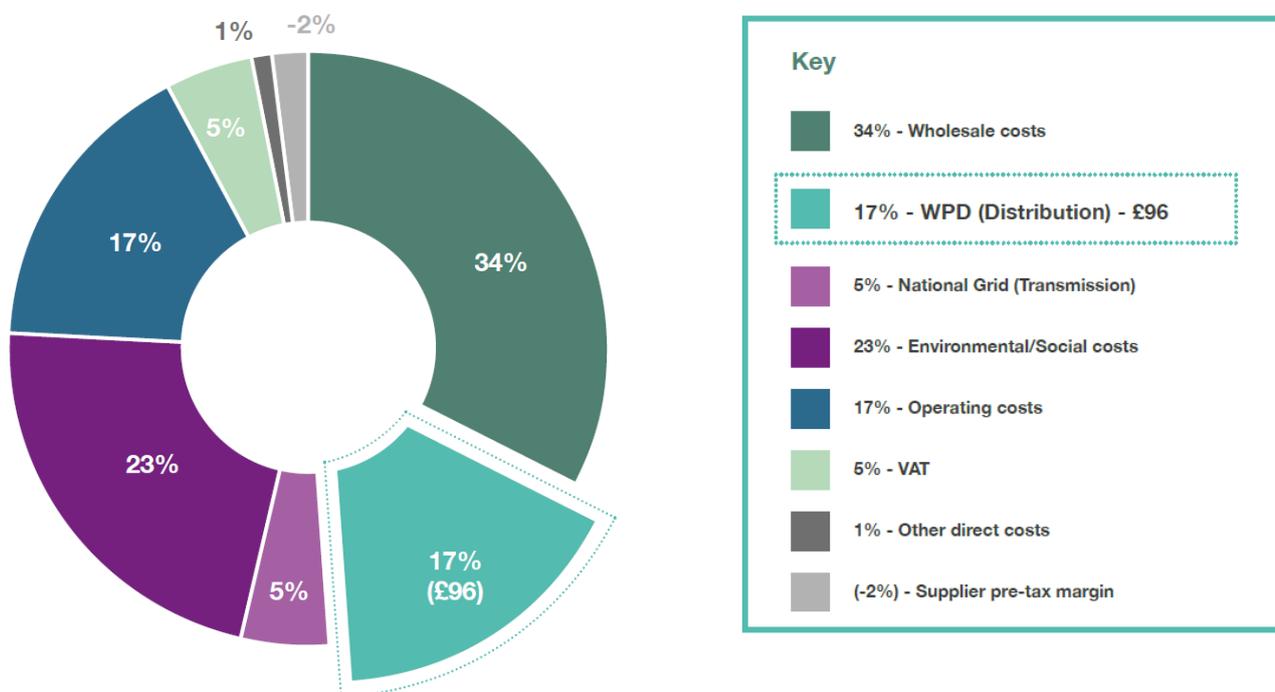
As a regulated utility whose costs are paid for through electricity bills our Business Plan is approved by our regulator, Ofgem, through a price control process. The next price control covers the period from 2023 to 2028 and is referred to by Ofgem as RIIO-ED2.

Our Business Plan consultation document sets out how much we plan to spend from 2023-2028 and our specific commitments. For each of our commitments we have set out four levels of ambition and what the impact on bills would be.

Overall, we expect our average annual expenditure to go up from around £1.05 billion pounds a year currently to £1.2 billion pounds a year during 2023-2028. WPD's customers currently pay around £96 a year for the WPD portion of the average domestic electricity bill. We expect this to remain broadly flat based on our current proposals.



Average annual domestic electricity bill:



Investing for a low carbon future

You have told us that decarbonisation is your top priority.

Our first draft Business Plan sets out our commitments to invest for a zero carbon future. For example, on preparing for the switch to electric vehicles our first draft Business Plan states *“our customers’ expectations are clear and simple. The infrastructure for EV charging requires high volumes of energy – and we need to be able to deliver that energy when and where it’s needed. We will develop the infrastructure to charge vehicles at charging hubs, on-street and at people’s homes.”*

WPD produces annual Distribution Future Energy Scenario (DFES) forecasts of the impact of low carbon technology growth and assesses how these may lead to network constraints. We use the DFES and input from stakeholders to determine WPD’s best view scenario for the future, upon which our first draft Business Plan is based.

We have set out in our consultation document the volume of electric vehicles and heat pumps we plan to prepare the network for.

	Lower ambition	Current view	Higher ambition
 <p>Investing for a low carbon energy future:</p> <p>See page 119 of WPD’s full Business Plan</p> <p>www.westernpower.co.uk/RIIO-ED2-Business-Plan-Jan2021</p>	<p>Between 2023 and 2028, facilitate the connection of:</p> <ul style="list-style-type: none"> • 900,000 electric vehicles • 55,000 heat pumps. <p>Reduction of -£320m in general reinforcement costs in RIIO-ED2 relative to WPD’s current view (making the total overall expenditure average per year £62m)</p>	<p>Between 2023 and 2028, facilitate the connection of:</p> <ul style="list-style-type: none"> • 1.5 million electric vehicles • 600,000 heat pumps. <p>This is the basis of general reinforcement costs of £630m in the current view in RIIO-ED2 (£126m annual average per year)</p>	<p>Between 2023 and 2028, facilitate the connection of:</p> <ul style="list-style-type: none"> • 2.1 million electric vehicles • 1.1 million heat pumps <p>Additional £270m of general reinforcement costs in RIIO-ED2 relative to WPD’s current view, (making the total overall expenditure average per year: £180m)</p>
Bill impact:	-£1.79	-	£1.51

Our proposed commitments on zero carbon include working proactively with local authorities to help develop achievable local energy plans.

Core commitment	Current RIIO-ED1 performance	Option 1: Incremental improvement	Option 2: WPD current view	Option 3: Further ambition	Option 4: Considerably greater ambition	Positive impact for customers	Option 5: Your suggestion for alternatives
62 Hold Local Energy Surgeries for local authorities, supporting them to develop their local energy plans	10 per year	15 per year	30 per year – one per WPD operating region per year	60 per year – two per WPD operating region per year	90 per year – three per WPD operating region per year	Helping local authorities and developer to create local energy plans that are achievable and help to deliver a network ready for the future.	?
Bill impact:		-0.5p	-	+0.5p	+1p		

Have your say

You can see all our commitments on **decarbonisation** and have your say at: <https://yourpowerfuture.westernpower.co.uk/have-your-say/riioed2-business-plan-consultation/respond-to-our-consultation/delivering-an-environmentally-sustainable-network>

Or contact Prina at Regen to book a call: psumaria@regen.co.uk

Connecting to the network

You have told us that you would like us to improve the connections process to help community owned generation projects to connect.

We have published a guide for community energy projects looking to connect to our network and are training our connections engineers in the specific needs of community energy customers.

In our first draft Business Plan we are proposing a commitment to hold community energy surgeries to help with connecting to our network:

Core commitment		Current RII0-ED1 performance	Option 1: Incremental improvement	Option 2: WPD current view	Option 3: Further ambition	Option 4: Considerably greater ambition	Positive impact for customers	Option 5: Your suggestion for alternatives
66	Hold Community Energy Surgeries for local Community Energy groups	New		30 per year – one per WPD operating region per year	60 per year – two per WPD operating region per year	90 per year – three per WPD operating region per year	Community groups with less knowledge and expertise of the connections process receive tailored support to develop their schemes and connect to the network. This will increase their confidence and understanding of our processes, so that they find it easier to gain access to our network.	?
		Bill impact:		-	+1p	+2p		

We are also proposing a commitment to develop our connection process to be easier to follow:

Core commitment		Current RII0-ED1 performance	Option 1: Incremental improvement	Option 2: WPD current view	Option 3: Further ambition	Option 4: Considerably greater ambition	Positive impact for customers	Option 5: Your suggestion for alternatives
16	We will develop our connections process and improve availability of information so that customers wishing to connect can easily comprehend the process and follow a simple set of rules to apply for a connection	New		✓			The connections process is easy for customers to understand from the outset. Before applying customers know exactly what to expect and what information will be required.	?

Some new connections to our network will trigger the need for reinforcement. Under the current rules, this can lead to high connection costs for new community energy projects. In our first draft Business Plan we are proposing a commitment to offer an alternative flexible connection:

Core commitment		Current RII0-ED1 performance	Option 1: Incremental improvement	Option 2: WPD current view	Option 3: Further ambition	Option 4: Considerably greater ambition	Positive impact for customers	Option 5: Your suggestion for alternatives
55	Ensure that connection offers with a reinforcement requirement are given option of a flexible alternative	New		Threshold to offer flexible alternative: Reinforcement cost is >£125k per MW and/or works will take more than two years to complete	Threshold to offer flexible alternative: Reinforcement cost is >£100k per MW and/or works will take more than 18 months to complete	Threshold to offer flexible alternative: Reinforcement cost is >£75k per MW and/or works will take more than 12 months to complete	More customers can choose between a conventional reinforcement solution or a cheaper and quicker flexible solution.	?

Ofgem is currently reviewing the rules about who pays for any network reinforcement costs that new projects require. We have committed in our Community Energy Strategy to letting our community energy stakeholders know when they publish their plans for consultation.



You can see all our commitments on **connecting to the network** at:
<https://yourpowerfuture.westernpower.co.uk/have-your-say/riioed2-business-plan-consultation>

Or contact Prina at Regen to book a call: psumaria@regen.co.uk



A smart, flexible network and innovation

You asked us to work with you on smart local energy systems.

Chapter five of our first draft Business Plan is focused on how we will deliver a smart and flexible electricity network. The Plan states “We also need to ensure that we have a smart network that uses digital technology including monitoring equipment, communications networks and automated devices to actively analyse the network status and operate the network for optimised running arrangements.”

We are committing in our first draft Business Plan to tender flexibility requirements every 6 months. We would welcome community led proposals for flexibility to respond to these tenders.

Core commitment		Current RIIO-ED1 performance	Option 1: Incremental improvement	Option 2: WPD current view	Option 3: Further ambition	Option 4: Considerably greater ambition	Positive impact for customers	Option 5: Your suggestion for alternatives
52	Produce forecasts of potential flexibility requirements in order to undertake a flexibility tender every 6 months	Annual		✓			Provide advanced sight and greater certainty of WPD's flexibility requirements so that providers can better plan ahead and make longer-term investments to be able to provide these services .	?

We are also committing to testing all our plans to reinforce our network to see if a market based flexibility alternative could be used.

Core commitment		Current RIIO-ED1 performance	Option 1: Incremental improvement	Option 2: WPD current view	Option 3: Further ambition	Option 4: Considerably greater ambition	Positive impact for customers	Option 5: Your suggestion for alternatives
54	100% load related reinforcement (primary) decisions include an assessment of flexibility alternatives	New		✓			Choosing the most effective option to provide required capacity will minimise network costs for all customers.	

You asked us to work with you on more innovation projects on smart local energy systems that help us to develop new business models. We are committing in our first draft Business Plan to innovation projects focused on community energy.

Core commitment		Current RIIO-ED1 performance	Option 1: Incremental improvement	Option 2: WPD current view	Option 3: Further ambition	Option 4: Considerably greater ambition	Positive impact for customers	Option 5: Your suggestion for alternatives
67	Establish dedicated innovation projects for Community Energy schemes	-		✓			WPD's support for community groups will extend beyond just helping them to connect to the network, by working in collaboration to help WPD to develop innovative, tailored solutions that benefit these types of connecting customer.	?



You can see all our commitments on a **smart network and innovation** and have you say at: <https://yourpowerfuture.westernpower.co.uk/have-your-say/riioed2-business-plan-consultation/respond-to-our-consultation/delivering-an-environmentally-sustainable-network>

Or contact Prina at Regen to book a call: psumaria@regen.co.uk

Addressing vulnerable customers and fuel poverty

You told us you wanted us to continue helping you address fuel poverty in your communities.

Supporting customers in vulnerable situations is a key part of our first draft Business Plan. Our strategic plans include:

- “Deliver an extensive programme of fuel poverty support in every WPD region”
- “Ensure no vulnerable customer is left behind in a smart future”

Our commitments include direct commitments to understand customer vulnerability, to put in place an action plan each year and to directly support fuel poor to make savings on energy bills.

Core commitment		Current RIIO-ED1 performance	Option 1: Incremental improvement	Option 2: WPD current view	Option 3: Further ambition	Option 4: Considerably greater ambition	Positive impact for customers	Option 5: Your suggestion for alternatives
11	Work with expert stakeholders, including our Customer Panel and referral partners, to annually refresh our understanding of 'vulnerability' and co-create an ambitious annual action plan	As per commitment		✓			We will seek to continually improve our services for vulnerable customers and respond quickly to changes in expectations or requirements.	?
12	Support fuel poor customers to make savings on energy bills over RIIO-ED2	70,000 customers saved £27m in the last 5 years	56,000 customers to save £30m	75,000 customers to save £40m	94,000 customers to save £50m	113,000 customers to save £60m	Customers living in cold homes and/or struggling to afford their energy bills received tailored support to make long term changes to improve their ability to afford to heat their home.	?
Bill impact:			-1.5p	-	+1.5p	+3p		

We are also committing to work with partners to provide education and support to vulnerable customers to ensure they are not left behind by the smart energy transition.

Core commitment		Current RIIO-ED1 performance	Option 1: Incremental improvement	Option 2: WPD current view	Option 3: Further ambition	Option 4: Considerably greater ambition	Positive impact for customers	Option 5: Your suggestion for alternatives
15	Take a leading role in initiating collaboration with a range of industry participants to share best practice and co-deliver schemes to ensure vulnerable customers are not left behind by the smart energy transition	New		✓			Share best practice with other network operators and initiate collaboration where it will lead to better outcomes for customers than if we had acted alone.	?

Have your say

How to respond: you can see all our commitments on **vulnerable customers** at: <https://yourpowerfuture.westernpower.co.uk/have-your-say/riioed2-business-plan-consultation/respond-to-our-consultation/meeting-the-need-of-consumers-and-network-users>

Or contact Prina at Regen to book a call: psumaria@regen.co.uk