

# **Report from the Independent Customer Engagement Group on Electricity North West Ltd's Draft RII0-ED2 Business Plan**



Published August 2021

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# 1. The Customer Engagement Group (CEG)

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## 1.1 Purpose, Establishment and Ways of Working

The overarching definition of the CEG role is set out in paragraph 3.2 of the *Enhanced Stakeholder Engagement Guidance* for RIIO-ED2, 30 April 2021.

“The CEG will provide independent challenge to the company, and views to Ofgem, on whether companies’ Business Plans address the needs and preferences of consumers (‘and stakeholders’ subsequently added).”

The CEG is completely independent, both of Electricity North West (ENWL) and Ofgem, enabling it to provide robust scrutiny and challenge of the company and its plans. The CEG Chair, Jeff Halliwell, was appointed in early 2019 following a competitive external search process, approved by Ofgem, in accordance with the appointment process for all CEG chairs. A competitive process to appoint a team of sector experts and subject matter specialists was subsequently led by the Chair, establishing the CEG membership that is in place today.

The following core skills and experience were sought and appointed:

- Regulatory economics and finance
- Former DNO industry/executive experience
- Consumer representation, with reference to consumers in vulnerable circumstances
- Consumer and stakeholder market research
- Environmental affairs
- Senior technical and academic electricity knowledge

The Chair’s previous experience in leading similar challenge groups: Anglian Water Customer Engagement Forum, and Heathrow Consumer Challenge Board, informed the recruitment of a small, but highly engaged CEG. To date, it has not proved necessary to employ additional and wider skills than those of the initial CEG members appointed, notwithstanding the option to do so if required; all appointed CEG members have a strong track record of leadership at a senior level, and a proven ability to challenge opinions, assumptions, and vision.

To further ensure the complete independence of the CEG, an independent secretariat was established. The CEG has direct control of meeting times, agendas, minutes, and publication of its work, along with the contents of its webpage hosted by the ENWL [website](#).

The CEG meets monthly, working five days a month as the volume of work has increased. Typically, this comprises 2.5 days of meetings, supplemented by observation of engagement events, reading, and writing reports. The first full CEG meeting took place in May 2019. Pre-Covid, meetings took place in Manchester and across other ENWL premises. Post-Covid, all meetings have been exclusively online.

The CEG has worked effectively together (ably supported by the secretariat) and has been able to establish a positive and constructive relationship with ENWL. Regular meetings have taken place across all levels of the business, including with the Chair and Non-Execs, CEO and senior executive team, and at more junior levels across ENWL - the CEG thanks the company for the open nature of their communications. Meetings with Ofgem, whose input has been similarly helpful and constructive, have also taken place periodically, along with independent meetings with key external stakeholders. An informal, but important network of the six CEG Chairs has enabled the exchange of best practice, and a thorough understanding of Ofgem's development of the ED2 process, while fully respecting the confidentiality of the development of each DNO's plans. An effective dialogue has also been established with the overarching ED2 independent Challenge Group, which will provide a cross-cutting analysis of each DNO's plans to Ofgem.

As the company's business plan has developed, primary articulation of the CEG's challenge towards the company's consumer and stakeholder engagement activity, has taken the form of the Challenge Log – a collective log of challenges raised, periodically (usually quarterly) updated. To date, five iterations of the Challenge Log have been produced, with the latest version recording 18 separate challenges. Assignment of a red-amber-green-blue rating to each challenge provides a measure of concern and direction of travel for ENWL. To enable in-depth challenge and scrutiny, rapporteurs from the CEG are assigned to each challenge area. The company has been assiduous in providing a thorough written response to each challenge presented, following each iteration of the Log. ENWL published an Early (EDBP) in April 2021, and the CEG responded with a revision of the Challenge Log based on those early draft plans.

This CEG report is based on ENWL's Draft Business Plan (DBP) and adopts the same topic-based approach applied to the structure of the Challenge Log. The structure of this report is based on the guidance agreed between Ofgem and CEG Chairs, and the report strives to cover the more granular topics / questions identified.

## 1.2 CEG membership

Members of the CEG, in no particular order, are as follows:



**Jeff Halliwell**, Customer engagement group chair, is a consumer heavyweight, and currently holds a number of non-executive positions including Chair of Transport Focus, the statutory independent consumer watchdog for Britain's rail, bus, coach and tram passengers, and users of the major road network; Chair of the Coal Authority; and as a Board Member of the Consumer Council for Water. He is the former Chair of the Heathrow Consumer Challenge Board, and of the Anglian Water Consumer Engagement Forum.



**Jayne Scott** brings strong experience in regulatory economics, including in the energy sector. Jayne served for nine years as a Non-Executive Director of the Gas and Electricity Markets Authority (Ofgem), was a Panel Member for the Competition and Markets Authority and was also a member of the Heathrow Consumer Challenge Board. She is Chair of Scottish Gas Networks' Stakeholder Advisory Panel and serves on a number of other public sector boards.



**Professor Jovica Milanovic** is Chair in Electrical Power Engineering and Deputy Head of Department of Electrical and Electronic Engineering at the University of Manchester. He has close to 600 publications to his name, with over 10,000+ citations, and leads a research team of 10 postdoctoral and doctoral researchers. Jovica is an internationally leading academic and speaker and member of many professional associations.



**Bev Keogh** is an experienced utility executive with over 35 years in the regulated utility industry in customer-facing, engineering operations and compliance roles. A Non-Executive Director of the Consumer Council for Water, Customer Advocate, Executive and Senior Leader Coach, Bev

brings extensive knowledge of electricity distribution and current issues, as well the preparation and processes of business planning in the energy sector.



**Dr David Holden** has worked in market research and consumer insight for over 30 years and has a strong appreciation of market research techniques in regulated markets. He is an acknowledged expert in willingness-to-pay studies, holding a PhD. in that subject. David sat on the Heathrow Consumer Challenge Board and sits on Ofcom's Consumer Communication Panel.



**Caroline Farquhar** is a Senior Policy Researcher in the Energy Networks and Systems Team at Citizens Advice, which is the independent statutory consumer voice in the energy sector. Caroline served for six years as a member of the South East Water Customer Challenge Group and worked for 12 years in various roles at a sizeable Local Citizens Advice including advising clients, training, and strategic development. As well as her consumer champion experience, Caroline brings an extensive background in investment banking.



**Todd Holden** is the Energy Policy and Programmes Lead at the Greater Manchester Combined Authority, covering a broad remit including the work of the Energy Innovation Agency and the transition to zero carbon heating in homes. Todd brings with him extensive experience of the energy and resource efficiency opportunities available to businesses, and how they can thrive from the transition to Net Zero. As well as sitting on the CEG, Todd acts as the independent Chair of ENWL's Sustainability Advisory Panel.



**Jenny Willis** has extensive experience working in research, participation, and community and stakeholder engagement, particularly focussing on the needs of those who find themselves in vulnerable circumstances. Within the energy sector she has worked with other DNOs and gas distribution companies and supported a range of community energy projects. Currently Jenny is working on a number of Citizens' Jury processes deliberating on responses to climate change and running a mentoring programme for a pan-European team of researchers committed to a participatory co-

creation approach to health research. As well as sitting on the CEG, Jenny acts as the independent Chair of ENWL's Consumer Vulnerability Advisory Panel.



**Gemma Osula** provides the independent secretariat to the CEG. As a previous Assurance Consultant, Gemma has experience of working in the regulated Higher Education sector. In subsequent roles she has supported organisations through internal audit and risk management projects, and in writing board-level reports.

## 2. Executive summary

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RIIO-ED2, by contrast to the consumer and stakeholder engagement activity of RIIO-ED1, has represented a very significant step up for the company in respect of setting up and running a comprehensive programme of engagement, and for the company to be driven by that engagement in its business planning. The CEG compliments ENWL for the spirit of openness with which they have embraced that change in approach. This has been evident, not only in the openness of their dealings with the CEG, but in the amount of investment of time and resource the company has been prepared to put in to engaging with consumers and stakeholders, in a thorough and often innovative way (especially in the context of the disruption caused by the global pandemic). The CEG also compliments the company in its organised and purposeful timetable of the business plan development.

The CEG recognises that the DBP is still a work in progress. There are many positive elements within it, which are commented upon in this report. The CEG reflects, however, that the DBP would benefit considerably from a high-level articulation of how these various elements come together to form an overall and inspiring vision of the future. This should incorporate a vision, from a consumer perspective, of energy supply in the North-West by the end of the ED2 period. It would be of further benefit if that vision could be rolled forward into the ED3 period, especially in the context of accelerating investment towards Net Zero. In that way, the many positive and ambitious elements of this DBP can be placed in an overall structure and context.

The CEG commends the approach taken to consumers in vulnerable circumstances and recognises the development in the company's thinking around DSO since the start of the ED2 process, leading the CEG to a position of relative ease with many elements of this important aspect of the plan. Nonetheless, we look forward to further articulation of ENWL's overall ambition in relation to DSO.

The CEG has been impressed with the breadth and depth of the consumer and stakeholder engagement programme, and with the way in which the results from different aspects of that engagement have been triangulated. This has resulted in a set of consumer and stakeholder outcomes which can be generally described as reflective of expressed customer ambition. In most instances, the "golden thread" from that engagement to the investment plans set out in the DPB is clear; however, there are some points at which



proposed goals and associated investments are not so easily traceable to engagement results – or at least, the articulation of that thread is not present in the DBP itself. This report points out some of these.

In addition, the CEG considers the overall narrative of the main plan and Annex 2 to be somewhat equivocal in the description of “ambition” and “constraints” and would welcome more clarity in this regard. In some cases, stakeholder engagement has not necessarily tested the upper limits of ambition, in general there could be more transparency about the noted challenges of what is “practical and economically viable”. The CEG’s concern in this area does not necessarily indicate an expectation that ambition should be increased but does indicate a desire to see compromises more fully elaborated and accurately described. ENWL has already committed to ensuring that this issue is addressed in the final business plan.

The CEG has been struck by some differences in prioritisation between consumers (or at least current consumers; this report comments that there has been somewhat less engagement with future consumers), and stakeholders. Consumers, particularly those in vulnerable circumstances, appear to place a higher prioritisation on network reliability, than in investments which deliver Net Zero. For non-consumer stakeholders (particularly elected bodies, such as Greater Manchester Combined Authority), moving the Northwest towards Net Zero is the priority. The CEG considers that the DBP does a reasonable job in balancing these somewhat divergent sets of priorities.

Some specific areas of the DBP will particularly benefit from more work before final business plan, and this report comments on these, notably the Environmental Action Plan, and Whole Systems thinking. The company’s approach to workforce resilience, and to an integrated approach to Diversity and Inclusion, have made some progress, but would also benefit from more work before the final business plan. As suggested above, the CEG would also encourage a more integrated approach to plan development, which has sometimes appeared somewhat siloed. For example, the DSO strategy would benefit from further consideration of the impact on, and potential benefits for, consumers in vulnerable circumstances. The Workforce Resilience Strategy would benefit from further consideration of the new skills which running a successful DSO transition will require.

The single proposed Consumer Value Proposition (CVP) has been thoroughly researched with consumers and stakeholders. It receives good levels of support and delivers substantial consumer benefits in terms of overall bill reductions.

On the calculation basis adopted by ENWL in the DBP, the proposals set out would cost the average household an additional £2.03 per annum (approx. 2.3% increase on the current price) which, at face value, would appear to represent a good deal for consumers. As a result of both comprehensive quantitative research - Willingness to Pay (WTP), and Acceptability Testing - reinforced by very thorough deliberative engagement and other qualitative research, the CEG is satisfied that consumers are willing to pay significantly more than the bill change proposed, to deliver all proposals set out in the plan. As they fall outside of the CEG remit, detailed evaluation of costs, efficiency of proposals, nor financeability issues have not been carried out by the CEG. However, the CEG is broadly satisfied that the proposals set out in the DBP are ones which are supported by its customers and stakeholders and go towards meeting their ambitions. This, along with those areas where further work will be beneficial are commented on in the chapters that follow.

## 3. Customer Research and Stakeholder Engagement

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### 3.1 Good Business Plan

The CEG considers that the DBP generally meets our expectations of what would constitute a good DNO Business Plan. The comments which follow later in this report, are to help ENWL (in part), further enhance the DBP prior to publication of the final business plan in December 2021.

### 3.2 Customer Research and Stakeholder Engagement

With support and challenge from the CEG, increasing levels of maturity and sophistication in the development of ENWL's programme of research and engagement has been witnessed. Positive recognition is given to the continual review of best practice and responses to feedback provided by the CEG.

The stakeholder and customer engagement approach, detailed in Annex 1 to the DBP, is considered robust and an accurate summary of the work carried out by ENWL during the six phases of engagement.

The CEG also commends the development of the Customer and Stakeholder Engagement Strategy (the first draft was published for consultation in March 2021), which sets out how ENWL plan to ensure it continues to engage with customers, consumers and stakeholders to inform their business activities throughout ED2. This featured in an early iteration of the Challenge Log, as their strategy up until that point had only been articulated in the company's Stakeholder Engagement and Customer Vulnerability Submission. The use of the AA1000 Stakeholder Engagement Standard by the company throughout this period has helped ensure best practice and placed ENWL on a strong trajectory to further build their approach to engagement throughout ED2 and into ED3.

The CEG is satisfied that ENWL has used an appropriate range of methods to understand the interests of a wide range of consumers and stakeholders, including future consumers. During the period of the DBP preparation, ENWL has further extended their expertise in this area, sourcing third party professional input, where necessary, to ensure best practice was followed. This has included a full programme of stakeholder mapping, customer segmentation, extensive pre-engagement activities with stakeholders to identify high-level priorities, including, customer focus groups, stakeholder workshops, Max-Diff prioritisation,

WTP studies and acceptability testing. In particular, the CEG has reviewed in detail the triangulation of results from the different research and insights and considers the publication of triangulation reports at the conclusion of each phase of research to be best practice. This has ensured that the CEG has been able to check the evidence base which supports the conclusions drawn from the programme of research and engagement before ENWL moved onto the next phase of planned activity.

The CEG acknowledges that whilst the programme of research and engagement has been comprehensive it was also designed to be as inclusive as possible, including adopting techniques to reach out to those groups of customers and consumers who are traditionally harder to reach and so as a result “seldom heard”. The CEG is also impressed by ENWL’s work to engage with young people through the company’s partnership with Youth Focus Northwest, which should provide ENWL with a sound basis on which to further enhance their engagement with this group during ED2.

The approach developed by ENWL to triangulation has also ensured that any emerging changes in customers’ interests were considered, research results revisited where necessary and further work undertaken to ensure the evidence base remained valid. ENWL was also able to respond quickly and appropriately to Covid-19 and ensure its research and engagement programme was adjusted accordingly. The CEG followed the development of The Plugged In Public Panel, which was run entirely on-line, and as a result was able to witness first-hand the speed at which the company adopted its approach to ensure continuity of engagement and continued to check the results of the engagement against the underlying evidence.

As a result of the structured approach to customer research and consumer engagement adopted by ENWL, the CEG has been able to identify the ‘golden thread’ between this detailed programme of work in many aspects of the DBP proposals. However, the CEG considers further explanations are required in the final business plan to articulate the approach and ensure full transparency where there are gaps between what consumers want and the proposals put forward. This is covered in more detail below (3.3.4).

The CEG considers overall, that the programme of engagement has been meaningful to the choices of customers and stakeholders in determining priorities for expenditure. The approach to engagement also ensured choices were not pre-determined by company

thinking, whilst at the same time built on the previous research and engagement evidence base developed during ED1. This approach is commendable and considered best practice by the CEG.

The CEG spent a considerable amount of time with ENWL considering whether the required trade-offs between the views of different groups of consumers, customers and stakeholders, as well as with government policy and regulatory guidance, were clearly articulated to provide the required evidence base for the DPB. The CEG generally consider this achieved, although some areas are thought to be less transparent in their introduction of constraints on customer ambition and WTP, which the CEG continues to highlight. Whilst these constraints may be valid, the final business plan would be enhanced with greater clarity in this aspect.

### 3.3 Evaluation of customer and stakeholder engagement programme

#### 3.3.1 Willingness to Pay (including MaxDiff and Acceptability Testing)

As a part of wide-ranging customer engagement activity, ENWL commissioned Accent and PJM Economics to conduct a programme of research exploring customers' priorities and willingness to pay (WTP), for a range of possible service improvements / initiatives ('attributes') in order to provide evidence to inform the content of the final business plan.

The two phases of research included:

- Phase 1: a survey of 351 customers (267 household customers; 84 business customers) designed around a 'MaxDiff' exercise.
- Phase 2: a survey of 1,570 customers (1,215 household customers; 355 business customers), which included three lower level 'discrete choice experiments' (DCEs) and a package 'contingent valuation' (CV) exercise.

#### 3.3.2 Appropriateness of engagement carried out

In the closed market regulated environment, in which ENWL operates, consumers are denied the ultimate remedy of withdrawing their custom. Thus, the CEG considers it essential that the 'voice of the consumer' is incorporated throughout the DBP, and in particular that consumers are consulted, not only on the general direction of the business

and market, but also on their detailed WTP, for adjustments to the quality and content of the service provided.

From this perspective, the CEG considers the DBP, overall, a 'good plan', based on robust evidence drawn from well designed, executed, and analysed WTP work which, in turn, features heavily in the proposed investment areas. Consumers have expressed their willingness to pay and, except for some outstanding challenges detailed below, ENWL has translated those preferences into investment proposals. Stronger evidence demonstrating why there is limited incorporation of *some* of those preferences within the proposals put forward, along with further evidence to support the statement made by ENWL that the plan is “not constrained by lack of ambition or outputs”, would be valuable additions to the final business plan.

ENWL has conducted WTP research which is both wide-ranging and detailed, using a research agency and economic consultants that the CEG considers to be experts in their field. Although a more proactive approach in obtaining responses to queries from the agency and consultants engaged with would have been welcomed, the CEG is supportive of the broad WTP work.

Furthermore, the CEG is broadly supportive of how ENWL has incorporated the findings of the WTP exercises into their DBP. There is clear evidence of a 'golden thread' between the MaxDiff, WTP and Acceptability testing, all of which is used as the evidence to support ENWL's planned investment proposals. In addition, a comprehensive triangulation project has combined the 'hard' evidence of the large scale quantitative WTP studies, with other lower scale quantitative, qualitative and consultative work, to arrive at a nuanced and fully evidenced set of planned initiatives.

The CEG is currently actively engaging with ENWL over its central claim that “This ambitious plan is thoroughly evidenced by customer and stakeholder support. It is not constrained by lack of ambition or lack of outputs”<sup>1</sup>. The CEG feels that this may be misaligned with some aspects of the WTP outputs and resultant investment proposals.

While the modelling of Business Customer responses to the WTP survey for the majority of those propositions taken forward in the Acceptability Testing at Level 2, show statistical

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<sup>1</sup> [ENWL DBP – Section 1: Welcome to our draft plan](#)

significance; overall the model showed weak statistical significance (for business customers), so therefore the CEG considers the model is of limited use in understanding business customers' investment priorities. ENWL commissioned Professor Ken Willis of Newcastle University to review the WTP project and results, and he comments "As the business DCE (WTP) models currently stand, with most attributes being not statistically significant, they can't form an accurate, reliable, or robust estimate of business customer preferences and values"<sup>2</sup>.

The CEG considers that ENWL has used a wide variety of methodologies, the choice of which has generally been correctly tailored to the population/topic under research. Quantitative, qualitative, panels, consultations, one-to-ones, an online community and more, have all been employed.

The CEG encouraged ENWL to revisit their stakeholder mapping and weighting exercise, the purpose of which was not only to identify all stakeholders but to understand how to trade-off differing views amongst stakeholder groups. This exercise was successful; however, it remains unclear how the mapping and weighting of different groups has influenced final decision-making on priorities for improvement.

Equally, it's unclear how a weighted balance has been made between different sources of customer insight.

Although ED2 is by its nature concerned with 'customers in the future', this is not necessarily the same as 'future customers'. The CEG notes ENWL's engagement with young citizens, however it is not convinced that ENWL has engaged broadly enough with individuals who may become customers as the DNO transitions to a DSO and low-carbon technologies roll-out.

ENWL also conducted a consumer segmentation based on consumer attitudes and behaviour. The segmentation model produced 7 consumer groups and ENWL states that, it became 'pivotal to its consumer engagement programme' (CEG 1 section 4.1.2). Although this was a commendable approach, with the segmentation appearing to offer insight into a wide range of consumers, the CEG has concluded that it was of either limited use for

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<sup>2</sup> Electricity Northwest Customer Quantitative Willingness-To-Pay Draft Final Report by Accent and PJM Economics

business planning purposes and/or ENWL have chosen to limit its application. It appears that the consumer segmentation is not useful in clarifying and interpreting the WTP results, and the CEG is unaware of any other significant application of its findings.

One of the key strengths of WTP work is that it requires consumers to trade-off realistic (if hypothetical) scenarios. The CEG commend ENWL for adopting a ‘bottom-up’ approach to developing the choices presented to consumers and attempting to ignore ‘received wisdom’. Focus groups were conducted with a cross-section of domestic and business customers, designed to evaluate consumers’ understanding of WTP attributes, sense-check the credibility and ambition of the service levels being tested and reveal anything missing that needed to be considered as part of the business planning process.

The CEG continues to challenge ENWL as to whether the upper limit of consumer ambition has been adequately tested. Although the choices presented to stakeholders were meaningful, further exploration by the CEG as to whether consumers would have indicated a willingness to pay for an untested, higher level of service, if they were given the choice, is still underway. This is particularly important as most service attributes tested present that consumers, overall, preferred the higher level of service, and indicated their willingness to pay for that level of service.

### 3.3.3 Use of customer research and stakeholder engagement to inform proposals for Net Zero, and Vulnerable Customers

To its credit, ENWL tested a range of service attributes in relation to Net Zero and Customers in Vulnerable Circumstances (CIVCs). The attributes tested in relation to Net Zero included:

- expansion of Smart Street
- facilitating the take-up of technologies to achieve Net Zero
- leading the Northwest to Net Zero
- enhanced support for community energy projects

The attributes tested in relation to CIVCs included:

- ‘Improved reliability in areas of fuel poverty’
- ‘Improved reliability in areas of vulnerable customers’
- ‘Vulnerable customer support during planned power cuts’



WTP methods are constrained in the number of attributes and levels that can be tested so just 12 out of 41 initially proposed attributes, at two levels each, were tested. The CEG suggested the use of a larger or split sample, so allowing the inclusion of a greater number of attributes and therefore reducing the likelihood of potentially significant attributes not being tested with customers. However, after consideration by ENWL this suggestion was not taken forward.

### 3.3.4 Draft Business Plan ambition

The DBP states that a 50% plus increase in costs demonstrates a clear ambition to meet stakeholders' expectations:

"It (the plan) is not constrained by lack of ambition or lack of outputs. If it is constrained by anything, it is constrained simply by what is practical and economically viable, to deliver in the five-year window of the plan."

*(DBP Section 1.1).*

"It's worth noting that cost has in no way limited this plan's ambition with the (sic) main constraints being deliverability, due to market constraints, and ensuring value for money investments."

*(DBP Section 2.5).*

The CEG remains unconvinced, at this stage, that either efficiencies or ambition has not, in some way, constrained the translation of consumer and business WTP results into concrete investment proposals. Discussions are ongoing with ENWL to understand the differences between the above claims (amongst others), and actual commitments made in the DBP.

In Annex 2, ENWL details its investment proposals and specifies whether the proposals "meets/exceeds stakeholders' expectations". The CEG notes the confusing variability in terminology between the Annex, main DBP and WTP report. In addition, there is further confusion in the use of terms such as "met/exceed stakeholder expectations" "proceed with plan/compromise", with instances where the use of these terms contradicts each other.

In the majority of WTP attributes tested, there are significant queries as to the claims made within the plan and the actuality of the investment proposals. The detail reveals that in a number of instances the planned investments *are* constrained, and thus, misalign with wider

comments purporting that the plan is ‘unconstrained’ by cost/ambition or ‘meets/exceeds stakeholders’ expectations”.

Below are three examples of the above, other examples are covered elsewhere in this report:

- *3.2.5 Annex 2 Enhanced Storm resilience*

Stakeholders are clear that they would prefer level 2 as tested in the WTP (On average, large storms will cause 25,000 customers to be impacted by power cuts over a winter period, per year) but ENWL now proposes a compromise position due to a ‘delivery constraint’ whilst simultaneously claiming to ‘proceed with the current (25,000 level) proposal’.

- *3.1.4 Annex 2 Improving Reliability for those with a poor service*

Stakeholders have indicated their willingness to pay for level 2 as tested (25,000 customers have 3 or more power cuts per year), but ENWL has opted for level 11 (35,000 customers have 3 or more power cuts per year) whilst claiming that they will proceed with L2 and that it ‘meets/exceeds stakeholders’ expectations’.

- *3.1.2 Annex 2 Reduce power cut frequency/Reducing the number of power cuts*

Stakeholders are clear that they would prefer level 2 as tested in the WTP (1 Power cut per customer every 5 years) – this attribute was ranked third out of 12 attributes tested. ENWL has proposed to meet this ambition but claims that stakeholders’ expectations have been ‘met/exceeded’. In considering the strength of support for this initiative the CEG concludes that stakeholders’ expectations have been met ‘as tested within the limits adopted in stakeholder engagement’, a subtle but important difference.

The CEG recognises the need for trade-offs between the competing demands on ENWL and accepts that compromises are to be expected in business planning. However, the preference would have been to see those compromises recognised, elaborated on and accurately described.

The challenge from the CEG is not on the quality of the engagement, but the associated unsubstantiated claims; a deficiency ENWL has recognised and relayed to the CEG, with the intention to correct in the final business plan.



## 4. Consumers in vulnerable circumstances

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### 4.1 Good Business Plan

Consumers in vulnerable circumstances have been central to the CEG's consideration of ENWL's business planning process from the outset. The Independent Chair of ENWL's Consumer Vulnerability Advisory Panel was appointed as a member of the CEG to support detailed insight and engagement in this area and provide the basis for robust challenge. In addition to considering the needs of consumers in vulnerable circumstances as part of all aspects of the ED2 planning process the CEG has had in depth meetings with the Director responsible for the specific vulnerability strategy at stages throughout the development of the ED2 plan.

Overall, the CEG regards the proposed ED2 strategy positively, and acknowledges the way ENWL has responded to the CEG challenges in relation to increasing ambition and scope for the remainder of ED1 to ensure the company creates momentum to deliver ED2 goals in relation to consumers in vulnerable circumstances.

### 4.2 Customer research and stakeholder engagement

The CEG welcomes the breadth of engagement undertaken in relation to the development of the Electricity Users in Vulnerable Circumstances strategy. The vulnerability strategy describes “[working alongside](#)” the strategic group of the Consumer Vulnerability Advisory Panel and the CEG welcomes the fact that key elements of the strategy have been co-created with the panel including the overarching aim for the strategy: “[Providing an inclusive and supportive service for all users of electricity in a rapidly changing world – recognising need and maximising reach of services provided through collaborative, innovative working with a community of trusted partners across our region.](#)” The CEG notes that delivery partner members of the Consumer Vulnerability Panel have also contributed ideas based on their practical experience of delivering support to customers across the region during ED1, which has helped ENWL further develop their depth of understanding at a local and regional level.

In addition, the CEG has seen evidence of wider engagement via the MaxDiff and Willingness to Pay processes and via ENWL's online panel and Deliberative Panel. The thorough triangulation process undertaken to synthesise these different strands of evidence

has been welcome, although there are some outstanding issues from a CEG perspective. For example, clarity has been affected by occasional conflation of those experiencing fuel poverty and more generally consumers in vulnerable circumstances, as detailed in Annex 2. There is also in some instances a lack of clarity about the ‘read across’ between figures in terms of potential beneficiaries tested within the Willingness to Pay exercise, as detailed in Section 3.3 above, and commitments within the DBP, thus making it difficult to clearly assess whether, as is claimed, stakeholder expectations have been ‘met or exceeded’.

In relation to providing confidence that ENWL has explained assumptions about the characteristics of the vulnerable customers it serves to establish their requirements in ED2, there is some detail in Annex 9 to explain the 28 data sets used as part of the company’s social data mapping tool. This is supplemented by the use of other research and information from partners, which the CEG welcomes, to ensure that information is validated by feedback from the end users and assist with informing any adaptations which might be necessary during the course of the price control period. Some reference to this in the final business plan would be welcome.

### 4.3 Efficiency, ambition and innovation

The CEG welcomes the targets set out in the ED2 plan including the transparency of setting out different potential performance levels. The Electricity Users in Vulnerable Circumstances strategy main document refers to “[targeted performance](#)” and “[stretch performance](#)”, whilst Appendix A which maps targets against Ofgem principles expectations refers to “[minimum targets](#)” and “[stretch targets](#)”. The CEG’s understanding is that stretch targets are considered ambitious but achievable by ENWL. This is a vital point to monitor during ED2. Whilst noting the caveat “[There may be a requirement for additional funding to reach the full stretch performance](#)”, the CEG would not consider the fulfilment of primarily minimum targets to be an acceptable level of ambition when considering stakeholder and consumer feedback.

The CEG considers it would be valuable for ENWL to provide further discussion related to the requirements to meet the stated stretch targets within the ED2 plan. This may include some factors which are outside ENWL’s control, but the CEG considers that the transparency of highlighting this could enable other actors to better understand the

interactions and joint working needed to achieve the full potential of the plan for the communities of the area served by ENWL.

The CEG welcomes the ambition shown via increased expenditure but would also like to see more detail on proposed impact measurement and assurance of value for money in terms of outputs and outcomes, including, how this will be monitored. In addition, more granularity is needed in the final business plan in relation to the published costs of initiatives listed under section 5.1.2.

In relation to potential future innovation and involving third parties, the CEG welcomes proposals to further strengthen ENWL's partnership working with both strategic and delivery partners, and the innovation encouraged by research such as that described as being undertaken by One Manchester which will be further developed in ED2. Finally, the CEG would like to see evidence of openness to other potential for innovation in this area, which could emerge as part of the development of a whole systems approach.

#### 4.4 Appropriate approach to key issues

The CEG welcomes the clarity with which the main strategy and appendices reference Ofgem principles and expectations throughout, and map proposals against these, including identification of potential barriers and plans to address them. Comments on specific elements are addressed below.

In general terms, engagement with the partners represented on the Consumer Vulnerability Advisory Panel has been thorough, but in terms of benchmarking against other DNOs and other sectors to establish that the proposals reflect best practice, the CEG would welcome some wider input.

#### 4.5 Collaboration

The CEG notes that collaborating more closely with other utilities was ranked very highly by consumers and stakeholders and welcomes the plans to further develop work in this area. This work is seen by the CEG as contributing towards the development of a whole systems approach, and the CEG would like to see ENWL, and the Northwest-based Utilities Together forum seeking wider collaboration both geographically and with other sectors as the approach develops further.

The CEG also welcomes the collaboration with partners proposed within the strategy, identified within the “[Collaborative network](#)” pillar, with ENWL planning to work extensively both with and through partners throughout the region. This is strengthened by the fact that this partnership approach encompasses targeted research as well as service delivery and builds on the experience of active partnership working to date.

A new departure in terms of collaboration is the proposal for new customer advisory panels which are part of “[removing the barriers and joining the journey](#)” in terms of the changing energy market. It is clear, as detailed in Annex 2 section 2.2, that this initiative is based on the benefits and insight gained from the deliberative customer panel, and from consumer support for customers in vulnerable circumstances having a direct voice into ENWL. The CEG would like to see, however, more detail than is currently provided either in the final business plan or the specific strategy, to be clear about what it is hoped the new panels will specifically contribute.

The CEG is satisfied with the ambition in terms of target percentage of those eligible to be on the PSR who are actually registered. In terms of collaboration, though, the CEG is interested to see how data sharing problems will be overcome to support customers using a whole system approach.

## 4.6 ‘No-one left behind’

Consideration of the impact of the changing energy market on consumers in vulnerable circumstances has been central to the CEG’s thinking. There are numerous references in the DBP about ensuring ‘no-one is left behind’. In discussions with ENWL the CEG was keen to hear how this will be achieved in practice.

It is understood that a key initiative to address this is the creation of a “[Vulnerability Fund](#)” (5.1.2.4). This concept is referenced to a discussion initiated by stakeholder input. The CEG would like reassurance that the purpose of this fund will effectively be communicated, and an approach to potential outcome measurement outlined, i.e., that the fund is not expected to address all the barriers in itself, but rather to resource new developments and learning in how to do this.

The CEG welcomes the commitment in the plan which states: “[The investment level will support our learning and if we find something that works and want to develop it further, we](#)

will make a business case to develop it.” The CEG considers that it would be valuable to include reference in the final business plan document to the potential to engage with flexibility and energy efficiency, which are detailed more fully in the Inclusive Innovation section of the full vulnerability strategy (Annex G.09). This engagement may be more beneficial for those in difficult financial circumstances rather than the current emphasis on electric vehicles and solar panels. The CEG believes the creation of “a senior role that creates balance between technical knowledge of the energy transition, our network and customer needs” is also significant and deserves mention in the main body of the plan.

#### 4.7 Breadth of social remit

The CEG acknowledges the tension articulated in Annex 2 of the DBP in terms of the role of DNOs to support those in vulnerable circumstances and how far this should go. It is evident that this discussion was addressed directly with consumers and stakeholders, as part of the engagement process during the development of the DPB, and it is commendable. The effects of the Covid-19 pandemic are expected to be far reaching (including more complicated patterns of transitory vulnerability) and the CEG welcomes the fact that ENWL has recognised this within the DBP using evidence gathered by research commissioned during the pandemic about the effects expected on communities in the Northwest. In particular, the CEG welcomes the level of ambition shown with Smart Street: a project using innovative voltage control technology to enable ENWL network and customers’ appliances to perform more efficiently and make it easier for low carbon technologies to connect to the electricity network in the future. The CEG welcomes the targeting proposed using social data mapping to ensure, where possible, that the savings created by the Smart Street initiative benefit the areas of high fuel poverty.



## 5. Distribution System Operation (DSO)

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### 5.2 Good Business Plan

The CEG recognises the challenges faced by the company in determining its position in relation to DSO and has been pleased to see the company's well-developed approach. The CEG has significantly challenged the company both in relation to setting a clear strategic direction for DSO and in relation to customer and stakeholder engagement and the need to set clear measurable performance criteria. The CEG would have welcomed a more comprehensive approach to DSO customer engagement throughout the process however, and the CEG will continue to challenge the company to engage further with customers and stakeholders at every level over the coming months. The CEG recognises that the plan provides good narrative around DSO roles and functionalities and welcomes the proposed separation of DSO related activities. This aspect needs further development over coming months, prior to the submission of the final business plan, in particular on roles and responsibilities of the proposed DSO panel.

The CEG welcomes the work completed in the plan to link messages across both decarbonisation and DSO transition strategies. The plan would benefit however, from a deeper explanation of the impact in relation to consumer vulnerability, whole systems thinking, and network efficiency and reliability. There is a lack of transparency through the main document about the comparison of required investment to achieve desired targets between cost of flexibility, cost of network reinforcement and cost of improving network efficiency. Although network efficiency related activities are well elaborated on, and are included in the appendix, considering the importance of the area for future Net Zero operations, further content in the final business plan document would be welcomed.

When talking about reductions in losses, as a part of a drive for increased efficiency, the CEG would like to see further elaboration as to why connecting renewable generation at lower voltages will result in increasing losses and whether this is not offset by reducing power transfer from more remote generation. Similarly, an explanation is needed on the proactive upsizing of the equipment to reduce losses. This is an activity which cannot be controlled, and it could be a vehicle to provide additional capacity to the grid and reduce reliance on flexibility provided by third parties. As stated in the DBP, it could be viewed as

an approach to strengthen the network in “conventional” ways and as such seen as an attempt to avoid the challenges of the dependence on and procuring of flexibility.

The full scope of deployment of various DSO functionalities relies to a significant extent on improved network observability to be achieved through enhanced network monitoring. There is, however, a lack of information on what is going to be done if there is insufficient data from monitors (existing and those that will be deployed through ED2) to make decisions regarding full deployment of DSO functionalities. It may be unlikely that full network observability will be achieved by monitors alone regardless of the plan to install more throughout ED2. If that is the case, the CEG would welcome an explanation to understand how the observability issues will be handled throughout the process of deployment. There is also limited information to what extent they will be using advanced data analytics and future focused technology, such as AI, in this area to compensate for missing data. The CEG would also welcome more detail on how this aspect may influence recruitment and the strategy to re-train the existing workforce.

### 5.3 Customer research and stakeholder engagement

The CEG recognises the depth of engagement with Greater Manchester Combined Authority, Lancashire, and Cumbria County Councils. There is good narrative around diversity of the region and how different needs in these areas for each authority have been considered. There is a sound plan of action, including customer engagement plans and how ENWL plans to support customers to decarbonise. In the CEG’s view, sharing more examples for each action listed would provide a greater depth of understanding and help facilitate the aim of the action plan. In relation to DSO specifically, the CEG recognises the accelerated engagement with customers and stakeholders in recent months which was rather timid at the start of the process and acknowledges and welcomes the ambition to continue engagement over the forthcoming period, leading to the submission of the final business plan in December 2021. The CEG would also welcome clearly articulated overall ambition for DSO throughout ED2 and into ED3 and beyond.

In the CEG’s opinion, the plan would also benefit from a more detailed explanation of company ambition to drive and provide flexibility solutions to manage uncertainty with investment planning. The plan suggests investment first, rather than optimising flexible solutions to drive down expenditure from the traditional capital investment approach. There

are well elaborated proposals for intended whole system initiatives across the three DSO roles (Planning and network development, network operation and market development) with consultation planned for a broad range of stakeholders throughout 2023 and beyond. The CEG would welcome the inclusion of a wide range of stakeholders as part of consultation plans, as only local community energy groups are singled out, outside various network operators, in the DBP. The question also remains how these issues will be addressed for the start of ED2, prior to full development of some of them during the ED2 period.

## 5.4 Efficiency, ambition, and innovation

The CEG recognises the linkage in the DBP to drive flexibility alongside providing flexible connections and recognises that through IDNO engagement and the architecture of tools for load scenarios project (ATLAS), will improve information frequency to further improve forecasting. The intended further development of ROCBA models and functionalities for evaluation of options other than conventional network requirements to meet customer expectations, efficiency and Net Zero targets, as well as whole system considerations is commendable. The CEG recognises that work continues to create clear measures of success, however, the CEG will continue to challenge ENWL on behalf of its customers to ensure that these measures are developed in conjunction with, and informed by, effective customer research and stakeholder engagement. In relation to cross cutting themes, the CEG would welcome greater emphasis on the need to develop and procure specific skills and diverse thinking to deliver DSO and operate its network in future. Whilst there is some understanding of the need to develop the skill set of the workforce, the plan lacks detail to explain how this challenge will be met, at what cost, when and what the value will be to paying customers.

The CEG welcomes the overview of strategies and ways in which ENWL plans to procure services. Further information regarding the tendering process would be beneficial though, given that there is no mention of how fit-for purpose suppliers are selected, as well as further elaboration on competition and contracting strategies. In relation to procuring flexibility tenders, the CEG would welcome further explanation of what “non-standard tenders” are, along with examples of such tenders and their benefit. The CEG notes there is a statement that indicated approximately 80% of past contracts were awarded through competitive tenders and it would be fair to ask for an explanation of why this practice is not

followed for all contracts, and how this will play out when procuring flexible services for the successful deployment of DSO.

## 5.5 Appropriate approach to key issues

The CEG recognises that while the introduction of the whole system is generally good, it still predominantly focuses on the electrical system. This may be acceptable as whole system solutions do not yet exist, at least not as widespread, however, indication of ‘optimisation’ and joint thinking across energy vectors would have been beneficial. In future market development for flexibility provision more clarity is needed about how new flexibility providers will be identified through continuous customer and stakeholder engagement. The CEG is keen to understand if this will fall within the remit of the DSO panel or if another mechanism will be used. Similarly, the elaboration on flexibility services related to market development and liquidity lack sufficient detail to appreciate fully the scope of planned activities.

While the plan does make links to local and national policy and scenarios, this is a very fast-moving agenda, and it is likely that Government will make further announcements before the submission of the final business plan, which will need to be taken into consideration. To improve the transparency of decision making with regards to DSO operations, ENWL states that an independent decision-making authority will be involved. The DBP does not sufficiently clarify what this body is, nor how it is informed, and its decision-making framework requires further clarification. The CEG acknowledges that the proposed ED2 activities in network operation relate to the whole system approach, and description of proposed actions beyond baseline expectations, however, the focus is still mainly on the whole electrical energy system. The CEG would welcome examples of collaboration with different energy vectors when delivering a whole system approach.

The CEG recognises DSO continues to be an area of development for ENWL from Board to delivery teams. The CEG welcomes continued focus throughout the remainder of the year to further refine current company thinking and to ensure company strategic ambition is driven from effective engagement with stakeholders and end customers.

## 6. Environmental Action Plan (EAP)

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### 6.2 Good Business Plan

The CEG acknowledges that the Environmental Action Plan (EAP) has been through a number of iterations in its development, which have been openly shared with the CEG, and which lead to continuous improvements from one iteration to the next. The CEG welcomes and supports the strategic articulation of ENWL's carbon budgeting through RIIO-ED2 into RIIO-ED3 and beyond, to the completion of this objective. The CEG considers though, that the EAP would still benefit from substantial further development in a number of areas, for the reasons discussed below. The DPB outlines the roles and impacts ENWL has on the environment and the planned strategies and actions to mitigate this, as well as, adapting to the consequences of a changing climate in the ED2 period on its network, customers, and stakeholders.

Through the continuous productive engagement with and input from their Sustainability Advisory Panel, the EAP reflects ENWL's willingness and commitment to actively engage with external experts to get support across a range of activities in this complex and multifaceted area of their operation. The EAP rightly acknowledges that some of the stated targets may change prior to the December submission, which the CEG welcomes.

### 6.3 Customer research and stakeholder engagement

The Plan outlines ENWL current performance across the spectrum of environmental aspects they currently impact and outlines the 21 separate Goals which are included within the EAP. The CEG acknowledges that the scope of these Goals covers all, and is wider than, the baseline expectations set by Ofgem.

The CEG encourages the company to develop further the articulation of how customer research and stakeholder engagement has driven the Goals themselves, the prioritisation of the Goals, and how the targets which are proposed for each Goal have been set. The actions identified in the EAP will be delivered through activities funded through a number of different cost centres and the stated environmental gains range from being the sole rationale for the expenditure, to indirect added value. This integration across ENWL demonstrates that the actions in the EAP are owned by all and not just a single team, which is to be commended. While the CEG recognise that this makes quantifying the cost of

delivering the entirety of the EAP challenging, there are clearly a number of Goals which are discrete enough to enable the costs to be quantified. The Plan would benefit significantly by clearly stating the cost of delivering each Goal, those areas where there is no marginal change in expenditure if the counterfactual was progressed, and those which it is not possible to quantify.

To give a few examples:

- “Undergrounding of cables” was given a low priority by consumers in WTP and other engagement. It is not clear from the EAP why, or how much, the company intends to invest in this area, compared to investing more in higher priority areas, nor why the target of maintaining ED1 performance of undergrounding has been chosen.
- It is unclear how much investment is intended for “reducing water use by at least 10%”, nor what consumer and stakeholder engagement underpins the choice of this Goal, nor why the target of “at least 10%” has been chosen.
- It is unclear how much investment is intended for “enhancing biodiversity across 100 sites”, nor why the target of 100 sites has been chosen (as opposed to a higher or lower number).

The CEG notes that as a result of customer support, the targets around biodiversity have been increased, although as in other areas it is not clear why they have been set as they have, or any associated increase or decrease in expenditure.

The CEG acknowledges that the Plan secured further strategic input from annual regional workshops, and also recognises the input received through the established ENWL CEO Panel sessions. A broad expectation that ENWL should take a lead on environmental and sustainability matters was clearly articulated across the many different engagement methods employed, although there was a clear difference of emphasis between consumers, and non-consumer stakeholders. Stakeholders expect ENWL to lead by example on the Net Zero agenda and wider environmental performance, and, as an anchor institution, take “more radical local action” on carbon reductions and think beyond their asset base. This difference in attitude between stakeholders and consumers appears in part due to the different time horizons of consumers compared to non-consumer stakeholders when considering environmental actions.

## 6.1 Efficiency, ambition and innovation

The Plan refers to the alignment of its 21 Goals with the United Nations Sustainable Development Goals (UNSDGs) although it is unclear if ENWL plan to adopt any of the UNSDGs. ENWL explains how environmental aspects are managed in relation to risk “...according to the likelihood and severity of their impact to provide a total risk rating. These ratings are combined with Ofgem’s requirements and stakeholder feedback to inform the actions of our EAP.” These environmental aspects and how they relate to the 21 Goals are clearly set out in the EAP, however the CEG remains unclear as to how the likelihood and severity of risks are quantified to determine the overall risk score.

For each of the 21 Goals, the EAP provides tabulated comments on various aspects of each goal, from reasons for adoption, benefits, longevity to maturity and metrics. This elaboration on Goals has been improved in general from earlier drafts, as a result of previous CEG challenge, and each Goal now, for example, has a maturity level planned for the end of ED2. The information provided on different goals is still not uniform though, as not all Goals have each section completed, with some metrics missing. For those areas where quantified targets have been set, it is not always apparent as to why they have been set at the level they have, or the overall relative impact they will have if achieved. For example, in Goal 4 the qualitative statement provided in the EAP, combined with the omission of information on the total network losses in GWh, does not enable the CEG to comment on whether the target on network loss reduction is ambitious or not. Similarly, in *Goal 5*, related to the SF6 leakage target, the qualitative statement provided does not enable the CEG to comment on whether the target is ambitious or not since the target is not suitably quantified in relation to changes in the network assets.

The Plan would benefit in general from additional clarity on how all the targets have been set at the levels they have, to help determine how ambitious the EAP is, whether the individual targets stretching or not, and the relative impact it will have compared to ENWL impact on the environmental aspect in question.

## 6.2 Appropriate approach/ Customer Value Proposition

### *Customer Value Proposition on Smart Streets (Annex 16)*

The Plan notes that this is an area where further clarity is expected and potentially ENWL will submit a more substantive list of CVPs in the final submission.

The Plan outlines how the Smart Street CVP builds on a NIC funded project which through rollout in ED1 reduced electricity costs in 64,000 properties, it also notes the proposed roll out in ED2 “has consistently returned amongst the highest customer feedback and endorsement in our customer research”. As the main benefit sits with end customer bills, it is not captured within CBAs. By targeting areas with a high incidence of Fuel Poverty the CVP will also disproportionately support Customers in Vulnerable Circumstance.

The scale of the voltage reductions was analysed by “academics at the University of Manchester and Queens University Belfast, [and] confirmed that by actively adjusting the voltage profile of the LV network it was possible to reduce the energy consumption of customers by between 5.5% and 8%”. This was then, converted into a £61 annual saving for Profile Class 1 users. This also helps maintain voltages within the statutory limits supporting the accelerated connection of LCTs to meet Cumbria and Greater Manchester’s ambitions.

The CBA is summarised in Annex 16 and the EJP is referenced in Annex 29, making clear a highly positive Net Present Value of “£431m includes the cost savings to customers, together with the benefits of reduced consumption and deferred reinforcement requirements”. In addition, ENWL intends to calculate second order benefits using SROI in the final business plan submission. Annex 29 notes that “Due to its scale, we retained WSP to assist with the creation of the Smart Street CBA which forms part of our overall schedule.”

The CEG notes that the CBA for this proposal has not yet been published.

## 7. Network Reliability

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### 7.1 Good Business Plan

Network reliability is a high priority area for customers as evidenced from the extensive stakeholder engagement that has been undertaken on this topic. There was a substantial level of understanding by customers of the various proposals that could be used to maintain or improve reliability levels. The CEG also saw substantial evidence for support for improvements in this area, including for those with poorer service, or who were in vulnerable situations.



The proposals for maintaining or improving reliability have substantial associated costs. For example, a £75m incremental cost and £239m total cost for the commitment to 'Improving network health' (5.2.1.1), and £20m for 'Improving network reliability for customers where there is a high incidence of customers in vulnerable circumstances' (5.2.1.6). It is important that all options have been appropriately considered by ENWL to ensure that best value options are implemented. At present, ENWL's focus for addressing reliability issues appears to be on the use of traditional infrastructure methods and it is not evident that alternative resources, such as flexibility, have been taken into account. For instance, the goals of reducing the incidence and duration of power cuts are to be achieved through the use of automated control equipment, fault identification, and training more engineers to respond quickly to faults. Flexibility resources could offer effective and possibly cheaper solutions during outages or could be used in combination with traditional solutions. It was not evident within the DBP that these options had been assessed.

It was not always possible to ascertain the likely cost to consumers of proposed reliability improvements detailed within the DBP and this is described further at 7.3 below. Concerns remained regarding evidence for trade-offs and constraints to ambition and these are detailed at 7.2.

Overall, the CEG recognise the extent and depth of the stakeholder engagement that underpins the proposals for maintaining and improving reliability but would welcome further clarity on optioneering for solutions, and in how consumer ambition and constraints were managed for some proposals.

## 7.2 Customer and Stakeholder Engagement

ENWL has used a wide range of stakeholder engagement methods to gather feedback on this topic, and for some proposals, such as reducing frequency of power cuts and time off supply, ENWL used all methods available. This gives assurance that a broad and detailed level of views was sought and could be used to arrive at proposals. As highlighted above (3.3.2) there remains some confusion in terminology and on the precise connection between those which consumers indicated they were willing to pay for, and those which have been proposed. Concerns regarding the transparency of trade-offs and in understanding the nature of constraints have previously been noted in section 3. In the reliability section, there were similar issues relating to constraints on consumers' ambitions.

For instance, in Annex 2 at 3.1.1 ‘Improving network health’, ENWL noted that while there were high consumer ambitions in this area, ENWL were mindful of affordability concerns, and also that ENWL has ‘reached an efficient deliverability threshold’. It was not clear exactly what is meant by this term and the weighting given to arriving at the final proposal.

### 7.3 Interruptions Incentive Scheme

There are two proposals that are linked to the Interruptions Incentive Scheme (IIS), namely ‘Reduce frequency of power cuts by 20% from 2021-23 levels’ (5.2.1.2), and ‘Reduce time off supply by 20% from 2021-23 levels’ (5.2.1.3). ENWL has not provided the incremental cost of these proposals in the DBP as they are stated to be payment on results via the IIS. Consumers will still be paying for any improvements connected to these proposals and WTP figures were tested in stakeholder engagement. The CEG would welcome inclusion of the estimates of the costs of these proposals as well as their likely bill impacts.

### 7.4 Support for Worst Served Customers

There was strong evidence for stakeholder support for assisting those with poorer service. ENWL has proposed improving reliability (proposal 5.2.1.4) for those defined as Worst Served Customers (WSCs) under Ofgem’s definition, as well as improving service for others in the area that may not be WSCs but still receive a poorer than average service. The service level improvement is described as ‘Invest to improve the service for 3,770 ‘worst-served’ and 27,785 poorly served customers with a 50% improvement target’. It is not easy to understand the exact nature of the proposal, nor its ambition, from this description or from the narrative in the DBP. The detail in Annex 2 Customer Research Findings (page 89) appears to suggest that the number of poorly served customers will be reduced by 50%. The proposal also does not explain whether the number of WSCs in the proposal (3,770) or other poorly served customers will be completely removed from the tightened ED2 definition of WSCs. The CEG will be asking for more clarification on this point.

## 8. Workforce Resilience, and Diversity and Inclusion

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### 8.1 Good Business Plan

The DBP outlines the critical role staff play in realising customer and business plan objectives of providing a safe and reliable network, while ensuring the physical and mental wellbeing of staff. ENWL repeatedly identifies that a significant cultural shift is needed to enable the makeup of the workforce to represent the communities it serves, and to create the diversity of experience and thinking needed to best reflect the needs of their customer base. The CEG notes the level of measured satisfaction within its work force is currently at 75%, reference to the company ambition to further increase this would be beneficial.

The CEG recognises that the Board demonstrates a commitment to change the culture of the organisation to one that is as modern, diverse, high-quality, well-trained, and resilient as possible. However, as the strategy develops, the fundamental task of demonstrating how the depth of change required will be delivered to benefit its own workforce and bill paying customers is one that must be further addressed.

Whilst ENWL has engaged external support and outlined the need and approach to training its leadership team to deliver their strategic ambitions, further elaboration on strategy, plans and actions in the areas of workforce resilience and diversity and inclusion is critical if company ambition is to be the industry leader and their workforce is talented, skilled, fit for future, retained, and feel valued at work. Similarly, the need for supply chain partners to fully embrace their intended approach to diversity and inclusion is recognised, although it is unclear what mechanisms will be put in place to assure this.

### 8.2 Customer research and stakeholder engagement

The CEG acknowledges the plan has been developed in consultation with Staff and Trade Union partners and has seen evidence that ENWL has engaged with other DNOs on the topics of workforce resilience and diversity and inclusion. Through the CEO panel their strategic ambition has been shared with wider industry bodies. The CEG is not aware of any customer engagement that underpins their plans, nor does the plan reference any customer engagement.

ENWL sponsored the 2019 Manchester Pride event and has engaged some faith communities to improve relations with diverse communities, however, this area has been

significantly challenged by the CEG and ENWL has subsequently engaged external support to broaden their understanding to deliver the depth of change in company culture needed to deliver their strategic ambition. To deliver the necessary change during ED2 and into ED3, ENWL will need to commit to acting on external support and guidance in this area and the CEG would welcome further clarity on this in the final business plan. The voice and experience of ENWL employees is also vital in this area.

### 8.3 Efficiency, ambition, and innovation

The DBP relies heavily on the upskilling and reskilling of the existing workforce to ensure ENWL has the capacity and capabilities it needs when they need them. The DBP, Annex 15 section 2 states, “Throughout ED1 we have successfully focused our people strategy and policies around three core principles: 1) Attract, 2) Develop, 3) Retain”

The CEG believes that for this statement to be accurate, ENWL will need to make considerable progress in the remainder of ED1. The CEG remains concerned that staff loss through normal attrition and retirement is relatively low and that upskilling and reskilling alone may not be sufficient to increase the skill set to meet future challenges and achieve its diversity ambitions through recruitment, upskilling and reskilling without increasing the workforce. The CEG has not seen evidence that goals and targets set by ENWL to improve the inclusivity of leadership as set out in Annex 15 section 5.1.2 are ambitious.

The CEG recognises the plan sets out “The willingness of our colleagues to progress their skills and pay coupled with our excellent Trade Union relationship means we are confident we can deliver the required skills efficiently and in good time to support ED2.” However, it remains unclear how ENWL will trade-off between upskilling and reskilling of its current workforce and the need to attract different skills and cognitive diversity to support an effective transition to DSO, deliver Net Zero and deliver customer ambition throughout ED2. The CEG has not seen evidence that ENWL has modelled its headcount turnover and recruitment drive to determine whether its stated goals are achievable.

The plan looks to retain current head count levels, although recognises that the roles undertaken will need to change to meet customer, DSO and wider Net Zero requirements. The CEG welcomes ENWL intent to build on the existing Carbon Literacy training and accreditation during ED2 and welcomes this intent to support the transition to Net Zero and commitments made in the Environmental Action Plan. While the plan identifies some areas

where the headcount will increase e.g., Customer Directorate (+35), Leadership team (+5), and through the appointment of the first Diversity and Inclusion Manager, the CEG are not clear where headcount capacity will be reduced from other areas to achieve the ambition to retain current headcount numbers against a backdrop in the plan of a ~47% increase in budget, an increase in the number of connections for low carbon technologies and a transition from DNO to DSO.

ENWL sets out an ambition to utilise “operational apprenticeships” as a mechanism for attracting staff into roles which to date have not been filled by individuals with diverse characteristics, in attempt to bring in new skills and strengths to the teams. While the 2020 cohort of apprentices did recruit 26% of its candidates from “ethnic minority backgrounds” which demonstrates change has occurred, how representative this is of the overall ENWL customer base is unclear; it is therefore not possible for the CEG to comment on the effectiveness of the approach using this metric alone. ENWL recognises that their previous approaches to recruitment, through existing staff networks will not create a diverse talent pool and several third-party accreditations and an applicant tracking system have been brought in to address this along with a planned programme to deliver bias training for recruiting managers. The CEG welcomes this ambition but remains mindful that strong partnerships with organisations are needed to reach truly diverse talent pools to ensure the company achieve its strategic ambitions.

## 8.4 Appropriate approach to key issues

The DBP states that “The health and safety of our colleagues and customers is paramount” and outlines both current and planned actions to address mental health and wellbeing issues. However, significantly less focus is on how the safety of the workforce is maintained, e.g., the content of Section 5.5. “Mental wellbeing and health and safety”, makes no comment on how the physical safety of the workforce is managed. The final business plan would benefit from a more comprehensive explanation of the approach ENWL have adopted to this critical issue.

Whilst the CEG is aware of ongoing work in relation to further develop the workforce resilience and diversity and inclusion strategies, the CEG continues to challenge the level of ambition in relation to inclusion and diversity to further improve the services it provides. There is a very significant difference between the make-up of the current workforce

compared to the general working population, reflecting a similar picture across the sector as a whole; this means that staff consultation to date is unlikely to accurately reflect diversity of thought and inclusion challenges faced by the communities it serves. The plan does clearly identify specific mental health challenges associated with a predominantly male workforce and specific targeted support to address this, noting that this will increase the reporting of issues and the number of absence days, as acceptance to discussing mental health issues increase.

The plan includes various data tables in attempt to demonstrate the improved ethnic diversity of its workforce over the past two years, however, the CEG would welcome further information and specific examples to bring the data to life. The conflation between cognitive diversity mentioned in section 3.8.1 with ethnic diversity is concerning, whilst the use of the single term “ethnic minority” is a strong indicator of a lack of maturity to the topic and ignores the full depth of diverse characteristics, such as geographic heritage, faith, gender, sexuality, and disability. This means it is not possible to determine if change is broad or reflects the attraction of a single cohort, given the example shared in the DBP is limited to improving relationships with practicing Muslims. As such, it runs the risk of not achieving the declared aim of a workforce that represents their paying customers. The plan would certainly benefit from a more granular approach to reporting measures of success in order to enable more accurate assessment of planned actions and progress to improve workforce diversity within the company.

Throughout the plan, the CEG notes few references to the ENWL approach to sexuality (LGBTQ+). Gender is related to as binary Male / Female and so does not reflect those who identify otherwise such as non-binary or trans and as such is not inclusive on this issue. The CEG notes statements under the headings “Underrepresented Groups” and in relation to setting up “colleague community network groups”, have no clear goals or objectives set out. The plan does note “... some areas of diversity are less visible and not all colleagues will be comfortable to share this in an open way therefore, it is important that we respect this and still give colleagues a voice”, although in the CEG’s view this does not prevent comparative disclosure between teams being monitored or setting an objective to have the same level of disclosure within ENWL as there is in the wider population. The CEG would welcome an approach which included measuring disclosure across difference teams and departments to promote internal learning.

Workforce resilience and diversity and inclusion are the areas of the DBP in need of further improvement. To deliver against the customer promises set out, and ensure customers achieve value for money throughout the ED2 period, the CEG will continue to focus the challenges presented to ENWL. The importance of setting out a strategy that responds to the new skills and training required to meet future challenge, along with improving the diversity of its workforce and the workforce of its supply chain partners will be highlighted.

## 9. Innovation

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### 9.1 Good Business Plan

The DBP and associated appendices reflect the significant extent of engagement, and ENWL's positive attitude towards acting on received feedback from the CEG on innovation planning and strategy.

It is evident that the company has extensively engaged, and plans to continue to engage, with various stakeholders and customer groups to seek their input for developing innovation strategy and plans that cover all aspects of the company's activities. The proposed innovation strategy and associated activities are firmly established on customer and stakeholder engagement, and excellent in-house innovation track record, supplemented by the introduction of a dedicated Innovation Oversight Panel.

### 9.2 Customer research and stakeholder engagement

ENWL's engagement on innovation has been continuous and comprehensive. The feedback received through various well documented avenues, including the engagement hub website, innovation strategy events, online surveys, calls for innovation, published innovation plans, etc., has been incorporated into the DBP.

There is a clear indication of intended continuous engagement with a wide range of customer and stakeholder bases on correctly identified areas for future innovation activities and the creation of a dedicated Innovation Oversight Panel which will coordinate these activities in the future. The CEG welcomes the inclusion of a "consumer group representative" onto the Innovation Oversight Panel and looks forward to seeing more detail as to the role of, and selection process for, this individual.

The well documented scenarios developed, internally and with the support of the external consultants, to consider relevant future network and load growth and associated uncertainties are used to inform the overall business plan development. The reasons for adopting the central outlook scenario (COS), supported by appropriate sensitivity analysis and considering local constraints and network and customer base characteristics, as a base for business plan development, are presented in the appendix of the DBP. Considering that there is frequent reference to COS throughout the DBP (in particular,



Chapter 9) it would be beneficial to introduce briefly the scenario itself and justification for adopting it in the body of the final business plan.

### 9.3 Efficiency and ambition

The past innovation activities and successes as well as their inclusion in business as usual are generally well documented in the DBP and associated appendices. Examples of, undoubtedly successful and internationally recognised/awarded, past projects that account for the money spent on research as well as examples of improvements and resulting benefits when incorporated in business as usual should have been brought forward more prominently in the main document. The significant benefits to customers accrued so far as a result of adopting innovation results in business as usual in different categories are mentioned in the 'appendix of the appendix' and therefore, somewhat hidden from the readers. A brief summary of these should be included in the main document.

The emphasis in the DBP is on the ENWL's internal innovation activities and on adopting them as business as usual. There is no, or at least not obvious, reference to innovation activities and projects of other companies that they may have adopted in their business as usual. If that was not the case, some justification should be provided to demonstrate that the approach to innovation was not inward-looking and limited to their own innovation activities.

There is clear indication that the company intends to continue incorporating results of innovation activities in business as usual and intends to increase their contribution to RIIO-ED2 funds from 10% in ED1, to 15%. A comprehensive list of relevant areas that they plan to innovate in is presented in the document. It would have been even better though, if some potential projects, and more focused areas, were given as examples for each of the proposed five areas of innovation.

It is also evident that reasonable strategic focus on addressing the needs of consumers in vulnerable circumstances is set out. The ED2 innovation plan itself (6.16 of Appendix 3) contains three projects and £6m of investment currently targeted around such consumers, and the CEG would hope to see this increased as further innovations are developed during ED2.

## 9.4 Appropriate approach to key issues

The relevant areas for future innovation are adequately covered. There is a good summary of proposed, correctly identified innovation areas, drivers, objectives, resulting benefits and innovation route and costs. While in the previous draft editions of the DBP (in particular) and in the innovation plan, references to/discussion of the whole system related activities were mostly focused on the whole electrical energy system and envisaged associated collaborations, there are indications in this version of the plan and supporting appendices that the approach to this area has been expanded to the whole energy system, including gas/heat, transport, water, and telecommunication networks.

There are examples of different regional activities planned to address the complexity of future low carbon networks, however, the details are still provided mostly for the whole electrical energy system. The maturity of thinking in whole electrical energy system is evident. The references to the whole energy system area, however, are still generic to a large extent (see also below, section 11). Further clarification on the whole energy system innovation-related activities in the main document, including envisaged initial activities, required coordination with other energy and/or service providers, challenges and associated costs and timelines would have been beneficial. This area could be further strengthened by giving an example(s) of some initially planned innovative projects in this area as there is an indication in tables provided in the appendix that some of them are assessed as currently mature.

## 9.5 Strategy informed by future changes

The company has been successful in the past in winning projects and awards through Network Innovation Competition and intend to increase their compulsory contribution to this RIIO-ED2 fund during ED2. They also intend to increase third party involvement in innovation activities and provide a very comprehensive description of the process. The plan to introduce a “brand-new, independently-run Collaborative Innovation Scheme specifically for third parties” is noted and welcome. The final business plan would benefit from more detail about this scheme, and how the funding of “at least £2.5m” was arrived at (rather than a higher or lower figure).

There is a comprehensive discussion of significant benefits that innovation will bring without mentioning, until towards the end of the document, that the investment in innovation will

reduce over the forthcoming period. While this may well be the case due to savings and resulting efficiencies in the way how the business is run and past investments in innovation, it is still surprising that the innovation activities to address some of the forthcoming challenges can be delivered at the reduced rate of investment in innovation. The forthcoming challenges, e.g., addressing the needs of customers in vulnerable circumstances, introduction of DSO, increased uncertainties of future load, potential delays in ensuring full network observability through monitoring), may be calling for non-conventional, i.e., non-engineering, based innovative solutions for which additional investment in infrastructure, methodologies and work force might be needed.

There is also a statement that over 70% of the network investment programme (including innovation related activities) is supported by engineering justification papers attached to the DBP. There is no explanation though why this support has not been extended to 100% of the programme. The proposed use of Social Return on Investment (SROI) methodologies to comprehensively evaluate the benefits of innovation, development and mitigation activities is welcome, particularly in helping evaluate innovations and other activities which support progress towards Net Zero, and support consumers in vulnerable circumstances.

## 10. Major Connections

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The DBP Plan notes that each DNO will have a different scope to its Major Connections Strategy, based on Ofgem's 2013 competition tests. The ENWL strategy covers 'Distributed Generation Low Voltage', 'Unmetered Other' and Non-Contestable activities for all 11 market segments as specified in the SSMD. ENWL notes its success in the facilitation of competition, stating "We were the most successful DNO in demonstrating that there was active competition and as a result of passing most of the market segments, our strategies are much smaller in scope than other DNOs". The Plan notes that DV LG and Unmetered Other represent less than 5% of the connections ENWL undertakes.

Further to the publication of the Ofgem Baseline Expectations, ENWL consulted with Expert Panels, open access Stakeholder Workshops, wider stakeholder consultation as part of the ED2 Process, undertook short surveys and received challenge from the CEG. As the plan notes, the number of responses to the ED2 consultation was low, less than 5 on some issues, and as such there can be very limited confidence in the information obtained via this quantitative route. ENWL, however, has longstanding stakeholder engagement routes via the Incentives on Connections Engagement which has resulted in annual improvements over ED1, e.g., developing a new metric on project closures.

For DG LV, Unmetered Other and Non-Contestable activities, the plan sets out what ENWL is currently doing, under the three Principles set under the SSMD, against the relevant Baseline Expectations. Each performance metric is cross referenced to the baseline expectation, what it will measure, whether a target has been set and if so, what it is. Where performance has a minimum standard, this is made clear. This structured format is also used to outline what ENWL does for Independent Connection Providers and Independent Distribution Network Operators.

The plan notes that the vast majority of DG LV connections are at nil cost, so require no onsite works and therefore offer limited engagement with customers. The Plan notes "The DG LV market segment is closely aligned to Community and Local Energy stakeholders, a growing sector across the UK." As a future area of increased demand, Community and Local Energy has a dedicated Strategy to support engagement, an annual £1m fund, however, it is unclear in the Plan as to why the figure of £1m (rather than a higher or lower figure) is proposed.

The Plan identifies that ENWL will introduce simple processes for EV charger connections, expanding the role of self-service tools and ‘unlooping’ of connections prior to need. The Plan recognised the increase role of Vehicle to Grid chargers and is working to develop an industry standard to simplify the connections process for V2G.

The Plan meets 18 of the 20 Baseline Expectations which fall within the scope of Major Connections Strategy. The Baseline Expectation 13, whilst outside the scope of the Plan, is helpfully detailed within the DSO Strategy Annex. The CEG notes that while, “BE19) Have processes in place for the promotion of certain types of customers (such as storage) in connection queue in circumstances where they will help others connect more quickly/cheaply.”, this sits outside the scope of the plan for the same reason as BE13, namely that competition exists in this market segment. This is not readily apparent in the DBP, nor is the ENWL position on this matter. In the CEG’s view the final business plan would benefit from further clarity in this area.

## 11. Whole System Thinking

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### 11.1 Good Business Plan

The DBP sets out ENWL's approach to thinking about how the whole energy system might respond to the challenges it faces, with the detail set out in Annex 20 entitled Enabling Whole System Solutions. ENWL have helpfully defined whole electricity system, whole energy system and whole system (which includes all utility providers, transport and heat).

The CEG considers the DBP sets out a fair reflection of ENWL's thinking as well as their proposals to further enhance their approach. Throughout the DBP ENWL demonstrates mature engagement and decision making with other DNOs to ensure decisions are in the best interests of all consumers, including those out-with ENWL's own area, and ENWL already has a robust process of joint decision making with the ESO.

Despite these positive aspects to the DBP, the CEG also considers that there are opportunities for ENWL to enhance its approach to whole system thinking during the run-up to the publication of the final business plan in December. The systems and processes which have been developed by ENWL are broadly those already in existence during ED1, in other words, business as usual. Stakeholder engagement has also generally focused on existing stakeholders identified during ED1. Although the CEG considers that programme of stakeholder engagement to be robust, in order to meet Ofgem's ambitions in respect of whole system thinking, it is the view that the final business plan should demonstrate evidence of systemic change to ensure whole system impacts and opportunities are built into all the company's thinking and that more structured processes and systems are put in place to ensure effective joint planning arrangements.

### 11.2 Customer and stakeholder engagement

The DBP demonstrates significant engagement with a wide range of sectors, including non-energy sectors. In particular the proposal for a single PSR across the Northwest is seen by the CEG as innovative and a good example of whole system thinking which will benefit consumers in both the energy and other utility sectors. Whilst the initial proposal is for domestic customers, ENWL also has plans to develop a similar process for commercial and business customers.

The CEG also notes in the chapter on innovation, above, that whole system activities described in earlier documents were mostly related to electricity, but the DBP now expands the approach to include other sectors including gas/heat, transport, water and telecommunications. The CEG is pleased to note this progress. The final business plan would benefit though from reflection on joint planning, if there is any, with major infrastructure developers or the transport sector such as Highways England or HS2 to assess future opportunities and challenges.

What is less clear in the DBP is where this engagement with a range of sectors has translated into investment decisions which have been evaluated to consider the costs and benefits to sectors out-with their own area of operation. Whilst CBA proposals are included in the DBP for a range of proposals, and ENWL plans to use the ENA Open Networks Project Common Evaluation Methodology for evaluating future projects, none of the investment proposals in the DBP has been developed in this way. The CEG also recognises and welcomes ENWL's intention to make use of Social Return on Investment (SROI) methodologies in future investment decisions.

ENWL's DSO Transition Plan would also be enhanced with clearer baseline measures and targets to assess the whole system impact of decision making in ED2.

ENWL considers that they have embedded whole system thinking into their culture and processes. To fully meet Ofgem's requirements in this area, the CEG considers that a review of processes and systems should be carried out to ensure the approach developed with a wide range of partners is structured. The CEG has also not yet seen sufficient evidence to confirm that whole system thinking is embedded within the organisation.

### 11.3 Ambition

The minimum requirements for the business plan incentive are to demonstrate cross-sector engagement, optioneering and planning with other energy sectors. For ENWL this is most clearly demonstrated through their work with Cadent Gas and is reflected in their approach to DFES and DSO strategy proposals, although the DSO strategy does focus heavily on electricity in the context of whole system thinking. In this regard the CEG considers the DBP just meets the minimum requirements for the business plan incentive and encourages ENWL to show greater ambition in this area in respect of the final business plan.

ENWL's innovation proposals were previously focused on the whole electrical energy system and the company demonstrates maturity of thinking and approach in this aspect. The CEG also notes the company's intention to develop this further. The final business plan would benefit from further enhancement to ENWL's thinking, as described in more detail in the chapter on innovation, and detailed proposals on how innovation proposals in ED2 will be evaluated from a whole system perspective.



## 12. Cost Assessment, Financeability, Competition & Efficiency

### 12.1 Financeability and efficiency

Ofgem's enhanced engagement guidance confirms that reviewing business plan cost assessments and financeability issues are outside the remit of the CEG. Nevertheless, the CEG has a very legitimate interest in these issues from a consumer and stakeholder perspective. The CEG also recognises that it is in the interest of consumers and future consumers to keep bills as low as possible, whilst achieving an appropriate balance between reducing bills and delivering consumer expectations which have been demonstrated through a robust programme of engagement and a willingness to pay.

The CEG also recognises that cost assessment and financeability issues will be the subject of detailed scrutiny by Ofgem and the Challenge Group, so the CEG comments made here are in the context of being able to add a consumer perspective.

ENWL's overall cost expenditure forecasts are set out in the final section of the DBP. The level of detail provided appears to the CEG to be suitable to give an informed reader an understanding of the overall position. The impact on consumer bills compared to the average bill in ED1 is also clearly set out in the plan. The CEG has also had the benefit of a number of sessions with ENWL to be able to understand the financial impact of the investment proposals set out in the plan and how this compares to consumers' willingness to pay. In all aspects of the proposals set out in the plan the CEG are satisfied that consumers are willing to pay more than is required to deliver the plan.

It is also in consumers' interests to ensure the final business plan is financeable to ensure that the proposals can be delivered. The CEG notes that the proposed cost of equity and cost of debt figures which have been included in the plan are higher than the figures indicated by Ofgem. The CEG also notes the current reviews being carried out by the Competition and Markets Authority.

The CEG considers the proposals set out in the DBP will allow ENWL to deliver customer and stakeholder expectations, but recognises that there may be alternative, valid views.

ENWL has proposed an annual efficiency target of 0.5% per annum for ED2. The CEG commends the regular benchmarking by ENWL of their efficiency assumptions with

reference to other DNOs and cross-sectoral performance indicators and recognises the commitment to continue to review efficiency targets.

## 12.2 Competition

ENWL has confirmed its commitment to enabling market competition for goods and services as a way of ensuring efficiency. Throughout ED1 this has predominately been in respect of new connections and within procurement. The CEG notes in the section on DSO, that the DBP documents the company's approach to procuring services most competitively but considers the next version of the plan could further develop this thinking including further elaboration on the tendering process, what are defined as "non-standard tenders" and how "fit-for-purpose" suppliers are selected.

The DBP does not identify any projects which are suitable for early or late competition as a result of the proposed investment thresholds set out by the ESO and Ofgem.

As the smallest DNO, the CEG recognises that ENWL is unlikely to make the financial thresholds for early and late competition projects. The CEG would still encourage ENWL to seek to identify ways to increase ambition in all aspects of competition in advance of the publication of the final business plan in December so that as a small DNO it is still able to demonstrate the benefits of competition.

The CEG considers the DBP demonstrates a commitment to using competition where feasible to improve efficiency. During ED1 this has been achieved very effectively in the development of a competitive market for connections and this is clearly embedded in the ENWL's corporate processes. There are no CVPs for competition identified in the DBP.

The CEG considers that ENWL's approach to customer research and stakeholder engagement routinely facilitates engagement with small connections customers.

## 12.3 CBA Methodology and Flexibility

The CEG has had the benefit of a number of sessions with ENWL to understand the approach adopted to CBA. The principles adopted by the company and set out in the DBP Annex appear to be reasonable.

The CEG encourages ENWL to continue to develop its approach to CBA to drive innovation and whole systems thinking.