

Wales & West Utilities
**Annual
stakeholder
report**

1st April 2014
to 31st March 2015



working with you

Our customers told us...

"The engineer was friendly, informative and extremely helpful. Excellent work! I feel very much safer after." Penryn Cornwall

"I have never known roadworks on such a major route run so smoothly and cause so little disruption."
 Devizes

"I was unwell when the engineer called but he did everything he could for me and I couldn't have asked for a nicer man." Barry

"The guys stopped working to escort a blind person past the work and always allowed me to pass with a pushchair. Kind gestures that affirm what nice guys they are."
 Brynmawr

"The roadworks were discreet and tidy with barriers and signs and mud kept well under control." Devon

"Not only was the engineer prompt, efficient and professional, he stayed to make further calls to get me back on gas. Marvellous!"
 Newport

"I found the service and assistance afforded to me invaluable, at a time when everything around me was falling apart." Gloucester

"I am most impressed. I didn't expect this level of service from utilities." Colwyn Bay

"Friendly, polite and chirpy, he really brightened my morning. He clearly enjoys his job and surpassed my expectations." Swansea

"They were amazing from start to finish. I am mid-70s and wasn't looking forward to having the work done, but everything ran so smoothly." Abergavenny

They were so courteous and went beyond the call of duty to please all of the residents."
 Dartmouth

"With a team like them, all utility services would be the best, not only in the UK, but in the world."
 Gloucester

"They worked under pressure in extreme conditions and problems due to parking but got it all sorted. This was a first-class job." Plymouth

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Wales & West Utilities – who we are and what we do

At Wales & West Utilities (WWU) our job is to provide the infrastructure to deliver gas safely and securely to 2.5 million homes and businesses across Wales and the South West of England. We do not sell gas, we transport it, and over 7.5 million people within our area rely on us to do so.

Our dedicated team manages a network of over 35,000 kilometres of gas pipes to make sure we continue to provide a safe and reliable gas supply 24 hours a day, 365 days a year. This involves responding to gas emergencies, maintaining and replacing our gas network, and connecting new customers.



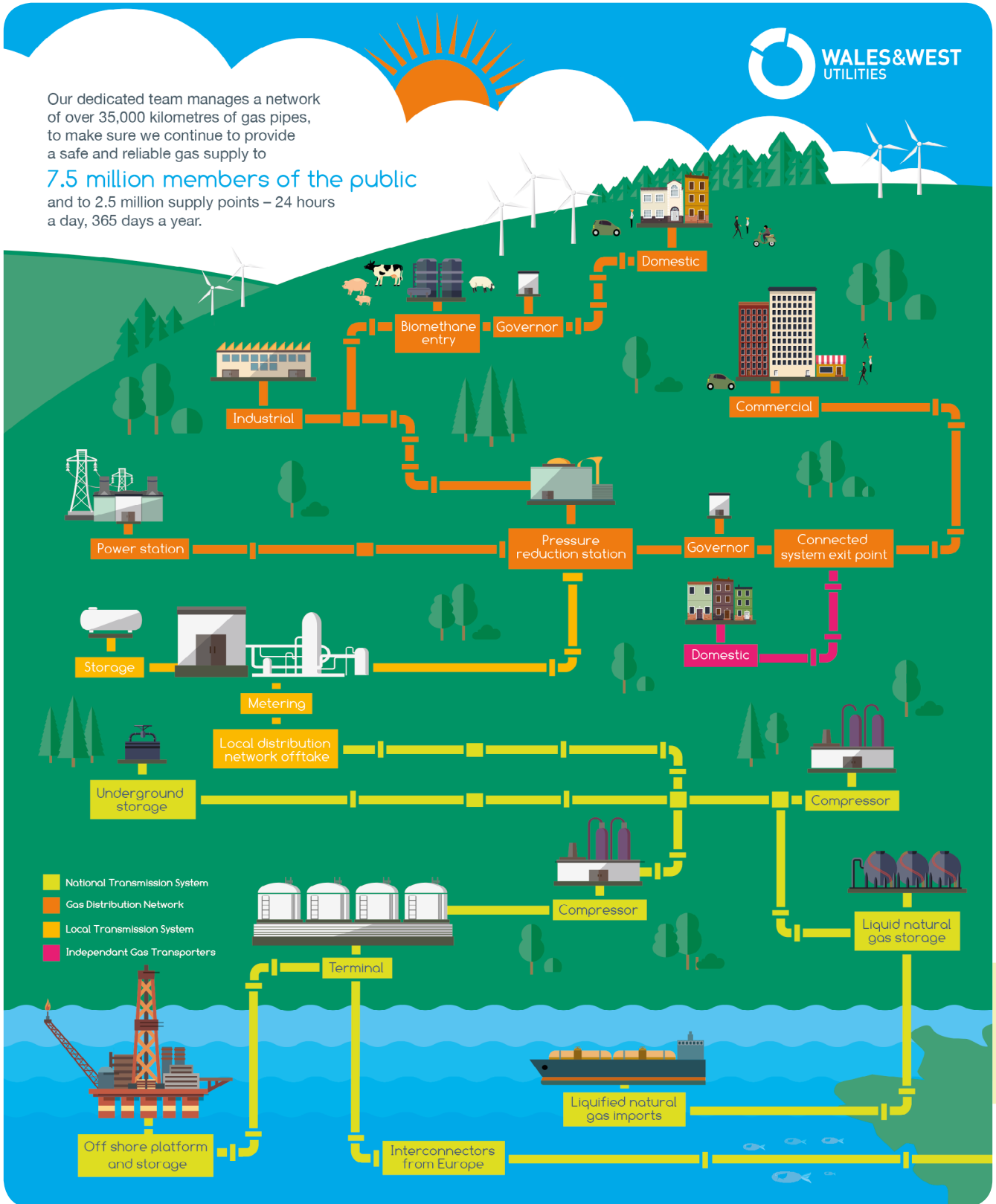
Each year we do the following.

- **Attend** more than 90,000 gas escapes – over 80% of which are internal faults in customers' properties and not on our gas network. For those not on our network, we make the property safe. If we have to disconnect a supply for safety reasons, we can provide alternative cooking and heating facilities for those customers in most need.
- **Replace** around 430 kilometres of old metallic mains as part of our programme, started in 2002, to replace all metallic pipes which are within 30 metres of a building. We are replacing metallic pipes with long-life plastic equivalents that will last for more than 80 years. We also renew 40,000 services a year – the smaller pipes that transport gas into individual properties.
- **Invest** over £120 million to maintain the safety and reliability of the gas network – replacing, refurbishing and maintaining a network that covers almost 20% of the UK.
- **Connect** over 11,000 new customers to mains gas (around 50% of all gas connections within our operating region). Of these, 1,661 have received assisted funding through our Warm Home Assistance scheme, as we play our part in reducing the effect of the rising cost of energy.
- **Provide** services to install and repair meters across our region on behalf of suppliers and meter owners. We compete for this work and it effectively reduces the cost of the emergency service we provide for customers.

What we do



Our dedicated team manages a network of over 35,000 kilometres of gas pipes, to make sure we continue to provide a safe and reliable gas supply to **7.5 million members of the public** and to 2.5 million supply points – 24 hours a day, 365 days a year.



Welcome

Delivering on our targets for all stakeholders remains central to our business strategy

We are delighted to present this, our second annual performance report for the regulatory price-control period (RIIO-GD1), to all our stakeholders (anyone who has an interest in our business, or on whom our business has an effect). The price-control sets the targets we must deliver and the revenues we are allowed to collect.

2015 is an important year in our history, as we are celebrating 10 years of keeping our customers safe and warm, with a gas supply they can rely on and a level of service they can trust.

Landmark achievements for the business over the first 10 years include:

- attending one million emergency call outs;
- connecting 130,000 new properties to our gas network, 10,000 of which were through our 'fuel poor' scheme, providing financial support to customers to help them each save over £500 a year on energy costs by switching to gas;
- replacing over 40% of our old metal gas pipes with new plastic pipes with a lifespan of over 80 years, securing safe and reliable gas supplies for our customers; and
- training almost 100 apprentices – helping provide the gas engineers for the future.

Important achievements this year include the following.

- We've efficiently achieved, and in many cases done better than, all the targets set for the second year of the price-control period while spending within our forecast. We are also either on target, or ahead of target, for outputs measured across the eight-year price control.
- We are the number-one network for customer performance. By working with partners, we are providing innovative and targeted support to the most vulnerable people across our region. (By innovative we mean new methods and creative thinking.)
- The Health and Safety Executive (HSE) has recognised our industry-leading safety processes by giving us an 'exemplar' rating in managing major accident safety and leadership. The Royal Society for the Prevention of Accidents (RoSPA) once again awarded us a 'Gold Award'.
- We achieved the top position across all the gas distribution networks (GDNs) for involving our stakeholders and under the discretionary reward scheme (DRS) as judged by independent panels.

I am proud to say that we have achieved all of this against a background of continuing good value for customers.

Before inflation, the charges we expect to make from April 2016 which will apply to the average domestic consumer are set to fall below the level at the start of the RIIO-GD1

price-control period (from £139.78 to £137.86), by 1.4%. This reflects the efficiencies we are delivering. We continue to provide real value for money for all our stakeholders.

We are also on target for outputs measured across the eight-year RIIO-GD1 price-control period to 2021. After consulting our stakeholders, we are committed to delivering extra value in the areas they said were most important to them. Over the rest of the eight-year period, we will deliver:

- funding for 20% more connections for customers in fuel poverty than originally allowed for (fuel poverty is where people have higher than average fuel costs and so are left with an income which is below the official poverty line);
- more targeted support to vulnerable customers;
- greater reductions in emissions by 2021 than originally planned; and
- further reductions in costs we can control such as our facilities costs (for example, printing, stationery and travel).

I am proud of my teams' achievements again this year and would also like to thank our stakeholders for their continuing support during the course of the year and over the rest of the RIIO-GD1 period.



Graham Edwards, Chief Executive

Welcome to our annual report. Click on the video below to hear some of Chief Executive Graham Edward's highlights.



Our headlines for 2014-2015

An outstanding performance in this second year of RIIO-GD1.

We are proud to have continued to build on the performance improvements we achieved last year.

The highlights for the year include the following.

- **We are the number-one network for customer performance.** We won both the UK Utility Industry and IGEM **Customer Service Awards** this year, our **fifth win in the last seven years**, and we're very proud of our consistent record in delivering industry-leading customer service. We have also reclaimed our **top spot on customer satisfaction**, a position we've now held for five of the last seven years – scoring an average of over nine out of 10 from 1,800 customer surveys.
- **The HSE recognised our industry-leading safety processes** by awarding us an 'exemplar' rating in managing major accident safety and leadership. RoSPA once again awarded us their highest 'Gold Award'.
- **Providing innovative and targeted support to the most vulnerable people across our region.** As an example, we have a specific vulnerable-customer panel which helps us produce our vulnerable-customer strategy. This year we also set up a new hardship fund to support the most vulnerable people across our region.
- **We are still committed to innovation.** We were delighted when our ductile iron window-cutter project won the '**Best Gas Network Innovation Award**' at the 2015 Energy Innovation Awards with Steve Vick International.
- The **stakeholder panel recognised** our contribution to the wider community and all stakeholders by awarding us the **highest score** of all the GDNs, and the third highest score across all gas and electricity network operators.
- The **discretionary reward scheme panel recognised our leadership and innovation** in the areas of environment, social obligations and carbon monoxide.

We have also been delighted with the feedback we have received from our priority customers and other stakeholders.

"Dear Rachel

Thank you so much for all your help. Nice to be cooking on a gas stove after two years on electric rings!"

Gratefully, **Val Hart X**

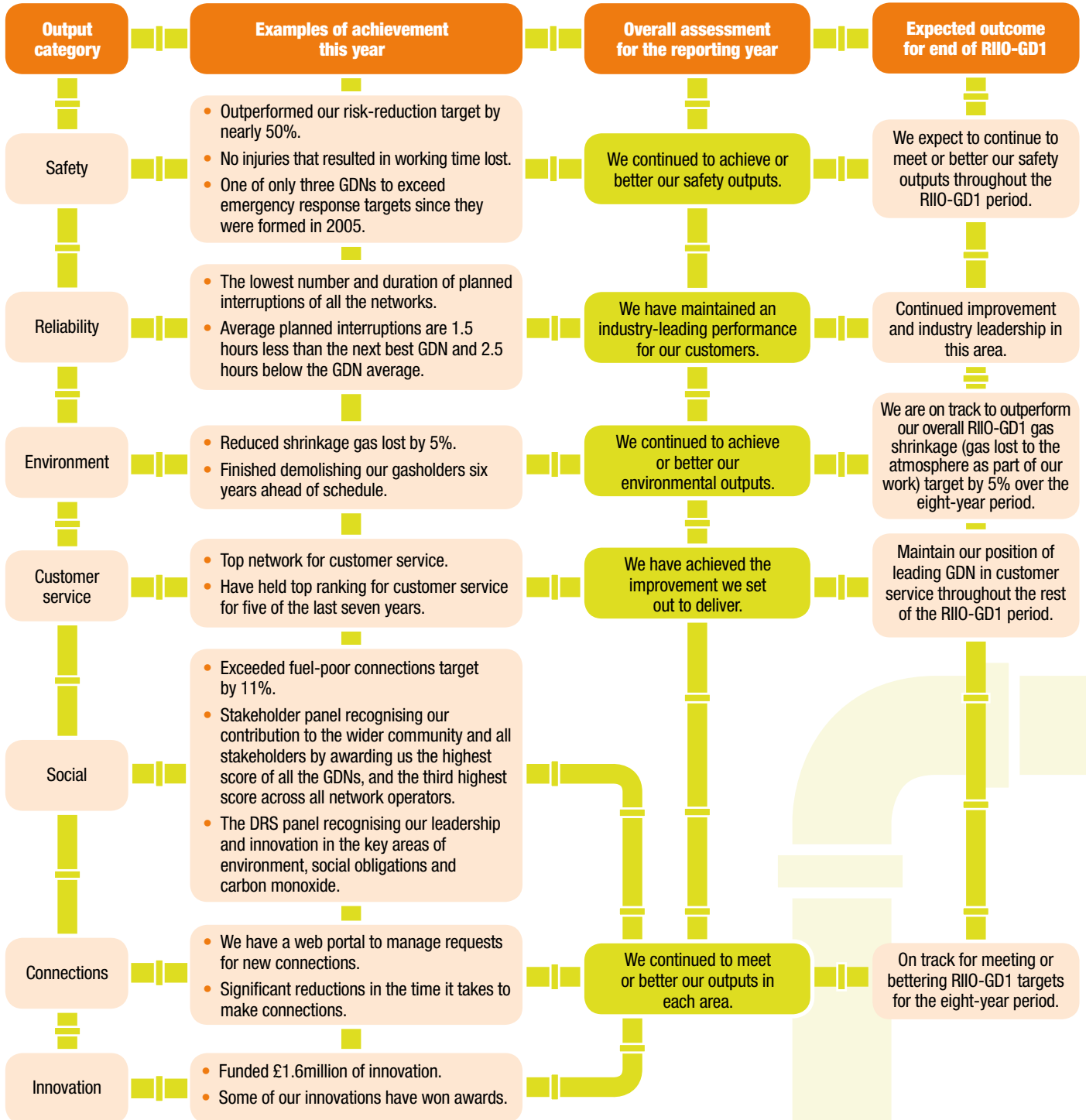
"Vicky, good morning

The house is like toast once more you are on the ball. I wanted to pass on my thanks to all the staff I have encountered. Yourself and both Laurens in the office, the two guys who put the mole in for the connection and the guy who put the meter in. WELL DONE ALL OF WALES & WEST UTILITIES. I am meeting with my surgical team tomorrow. Have a fabulous 2015."

Robin

Our achievements have also been recognised by the industry and others. The awards our team has won during the year include the **UK Utility Industry Award**, the **IGEM Customer Service Award**, the **UK Energy Innovation Awards** and the **Utility Awards 'IT initiative of the year'** for our customer systems work.

We have summarised some of our highlights in the table below.



Continuing our commitment to delivery

Thanks to your input we have a very clear focus on our core business priorities and our organisational values – these are central to our success and continue to guide us in improving our service and performance.

Our programme of improvement is supported by the ongoing investment to further develop our people, processes and equipment so we have the skills, confidence and thinking to continue to deliver for our customers. As examples, since we were formed, we've recruited 120 apprentices, 22 of whom joined our business in 2015. We've also recruited 11 graduates, three of whom joined our business this year. This is as well as the ongoing development and training of our existing workforce.

We recognise that there is still much to do over the rest of the RIIO-GD1 period. Our priorities for the current year are to:

- further develop our stakeholder engagement strategy to make sure we continue to deliver the outcomes our stakeholders value;
- introduce and strengthen further support for the most vulnerable people across our region – making every contact count; and
- work with the Department for Energy & Climate Change (DECC), demonstrating how gas will support a low-cost, low-carbon, secure future energy mix.

We are on track to achieve the commitments made in our RIIO-GD1 business plan agreed with Ofgem by the end of the RIIO-GD1 control. Over the rest of the control period we will be:

- delivering 20% more fuel-poor connections than we were initially funded for;
- providing support to vulnerable customers which is best practice in our industry – guided by our vulnerable-customer panel;
- working with partners to develop outcomes considered best practice in our industry for our customers;
- achieving greater reductions in emissions than expected; and
- making further reductions in controllable costs as included in our latest forecast.

Contributing to a long-term sustainable future

The role of gas in the future of energy

We play a central role in making sure the energy you need is affordable, safe, secure and sustainable. The UK's energy demands now and into the future need a balanced mix of energy at an affordable cost – with energy coming from an increasingly wide range of sources. An important requirement in all this is for us all to become more energy efficient.

We continually communicate with policymakers such as the UK Department of Energy & Climate Change (DECC), to make sure they have reliable information and a clear understanding of how gas can play a role now and into the future. DECC recognises the ongoing importance of gas in a balanced energy mix and has set up a national forum for long-term decision-making. We also play our part in the Welsh Government's Sector Panel for Energy, which provides input into future energy policy for Wales.

Investing to tackle today's challenges and develop a sustainable future

We invested £1.6million of Network Innovation Allowance (NIA) this year. Basically this means the cost to consumers is about 60p of their yearly bill, and our goal is to make sure customers get at least this value back before the end of RIIO-GD1.

You can see our annual 'Network Innovation Allowance Activity Summary', which shows how we and our innovation partners have used the second year NIA, on our website (www.wvutilities.co.uk/media/1632/network-innovation-allowance-annual-summary.pdf). The headlines are as follows.

- We took part in 22 innovation projects (up from 14 last year). Of these projects, we have worked on 17 with one or more of the other gas distribution network licensees. We were the lead gas network on five of these projects.
- One outcome of using new and innovative equipment and technology such as extended pipe coil trailers and specially designed branch saddles, which allow live gas connections, has helped us achieve the number-one status in terms of having the shortest planned interruptions overall across the industry.
- Our joint project with partners Steve Vick Ltd won 'Best Gas Network Innovation' at the 2015 Energy Innovation Awards. The award was for developing a ductile iron window-cutting tool that reduces the time our customers are off gas during essential maintenance work and so reduces the level of disruption experienced as a result.
- Our innovative approach to tackling carbon-monoxide (CO) awareness is award-winning. We won a Wales Quality Innovation Award and a Business in the Community Stronger Communities award for our partnership with arts organisations such as Theatr na nÓg and the Royal Welsh College of Music & Drama.

Looking ahead, we plan further investment and research matched to tackling today's challenges and developing a sustainable future.

Two examples of innovation projects in 2015/2016

- 1 We are carrying out research into how the gas network can support and reduce the load on the electricity sector by exploring future options for reducing emissions for heat and power. An example of this is our joint project to explore how micro-combined heat and power from gas can be used to generate electricity in the home, when the heating is on. This replaces the need to use imported coal or gas to generate electricity.
- 2 To understand what we will need in terms of more investment in the long run (between 2030 and 2050), we have begun a unique and ambitious project to assess gas demand in the future, in light of Government targets for reducing carbon dioxide. The project uses a real network (Bridgend) which is a case study area of 12,000 consumers.

We have been in contact with Bridgend County Borough Council and now plan to offer to work with them to understand how carbon targets could be considered in a different way.

'Green gas'

We understand the need to do all we can to make gas a sustainable energy source. We are industry leaders in bringing renewable biomethane gas into the gas network. This is a naturally occurring gas that is produced by organic matter such as plant material, manure, sewage and organic waste. This 'green' or renewable source of energy can be used in the same way as natural gas and offers great potential as an extra source of energy that will help reduce our reliance on imported natural gas.

We recently completed our fifth biomethane network connection. We have a further five live enquiries that we are following up with biomethane producers. There is no financial benefit to us from these connections. The charges we make for this are designed to recover costs we have to pay and do not include a profit. This again shows our ongoing commitment to supporting this renewable energy source.

Helping reduce energy usage and costs

We have an important role to play in helping people reduce their energy usage and costs. One way we are doing this is, where practical, to connect customers to the gas network who are still using electricity, oil or coal to heat their homes. Connection to the gas network will save them money and improve their energy security (by removing the reliance on oil and coal deliveries) and, if converting from LPG or oil, will reduce their effect on the environment. We are working with local authorities and the Government to provide connections for these customers, together with our current partners Warm Wales, British Gas and Flintshire Council.

We hold a number of events with partners to help customers who are not connected to the grid due to the gas connection being uneconomic. We refer them to independent organisations such as Warm Wales, NEST (the Welsh Government Fuel Poor scheme) and the Energy Saving Trust. While we do not record the outcome of these referrals, we know of a number of cases where customers have had external wall insulation, ground-source heat pumps and other measures installed as a result of our referral.



Investing in our people and organisation

We know that our success relies on having people who are competent and confident to do their jobs and provide the best possible service to our customers.

It is critical that we continually develop our skills to successfully provide the services we deliver. Since our own business was set up in 2005 we have been looking at both the skills and age profile in our business. We recognise that we need a balance between holding on to knowledge and experience while investing in our future. Over this time, we have employed 120 apprentices, 22 of whom joined our business in 2015, to make sure we are taking a longer-term view in making sure we have the appropriate skills for the future. This and other recruitment has resulted in the average age of our employees reducing from 54 to 43.

We take pride in developing our people and have been shortlisted in 2015 for two national awards for excellence in learning and development and our employee engagement, which makes sure colleagues are committed to our values.



Our apprentices learning how to keep our customers safe and warm

Unrivalled training services

Nurturing and maintaining our industry-leading safety record involves top-quality training in a safe and controlled environment. This was the major driving force behind our investment in training facilities at Treforest, South Wales, and Bridgwater in Somerset. The facility in Treforest includes a fully fitted and functioning indoor street that provides a unique training environment, both for gas engineers and for other organisations who have recognised the multi-functional capability of our centre.

We provide a standard suite of training programmes or a tailored approach designed to suit organisations' specific needs. South Wales' Police Dog Handlers and St John's Ambulance are some of the organisations who use our facilities to support their training and so help them serve our local community.

Our role in the community

We have been actively involved in communities across our operating region since we were formed in 2005. We have many examples of active involvement in local initiatives across Wales and the south west of England. These have ranged from employee volunteering activities to investing in local community projects.

Our 'colleague matched funding scheme' promotes and inspires a culture of fundraising and volunteering activities among our people. Since the scheme launched in 2007 we have matched funds for over 350 colleagues to recognise their outstanding charitable and community-support efforts. Each member of staff can qualify for up to £300 a year towards any money they raise or to recognise that they have given up their own time to support local initiatives and charities in their area. This comes to £86,000 over this period in matched-funding contributions – something we are very proud of.

Helping a school in Bristol kick off the new term in style

St George C of E Primary School on Queens Parade underwent a renovation during the summer with most equipment taken away to a storage facility to make sure the project ran smoothly. With the work complete at the end of August and the new term fast approaching, staff found themselves against the clock to get classrooms ready for pupils. We had been working on Whiteladies Road on a £250,000 programme to replace 800 metres of gas main when the school contacted us and we were only too happy to send a team to help.



Our employees supporting our local community

Working with teachers, the eight-strong team spent two days carrying out tasks including putting up shelves, unpacking books to make sure the library was ready and putting out desks and chairs. The work was completed in time for pupils to return to school.

“We were absolutely thrilled to have the help of Wales & West Utilities – the team was fantastic and got stuck in to help ensure pupils could return to a safe environment to carry out their learning,” said Shireen Hayes, Head Teacher at St George Primary School.

Through our wide-ranging sponsorship programme, we also support a number of different organisations in our operating region

– those who offer important services for the communities we serve. Examples include Danger Point in North Wales and Lifeskills in Bristol. They both offer interactive education facilities in a safe environment to teach people how to deal with potentially difficult or dangerous situations, including gas and CO safety. Both centres offer services to those groups most at risk in our society including children, adults with learning difficulties, children with special educational needs, parents with young children and older people.

We are also now sponsoring Age Cymru's Handy Van service. Tailored for those people over 50 who are vulnerable, the service provides help with small household repairs, minor adaptations and odd jobs that improve

quality of life, giving peace of mind by making homes safer and more secure. Through this unique partnership, we are also working to raise awareness of carbon monoxide with the 700 vulnerable people who benefit from this service each year. We are providing important safety advice and audible CO alarms to those customers who don't already have one.



Phyllis and Winnie sign up for some help from our Handy Van

Efficiently delivering outcomes for our customers and stakeholders

Our revenues depend on the measurable outputs we deliver between 2013 and 2021. We developed these outputs after wide-ranging consultation with more than 500,000 people before the price-control period started. The feedback we gathered helped to develop our business plan.

Ofgem has allowed us a total of £2.7 billion to deliver our plan over the eight-year period 2013 to 2021.

We have continued to consult regularly to make sure we keep delivering the outputs our stakeholders want.

The following pages provide an overview of our second year's performance in each of the six main output areas of safety, reliability, environment, customer satisfaction, social obligations and connections. We show performance against each target and the position compared to our previous year's score.

We include costs within this document where appropriate. We also publish our costs, workload and future forecast in full on our website (www.wvutilities.co.uk/media/1682/2014-15-rrp-costs-workload-and-outputs.xlsx).

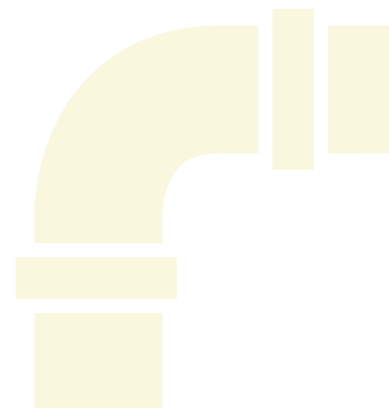
Safety

We will keep you safe

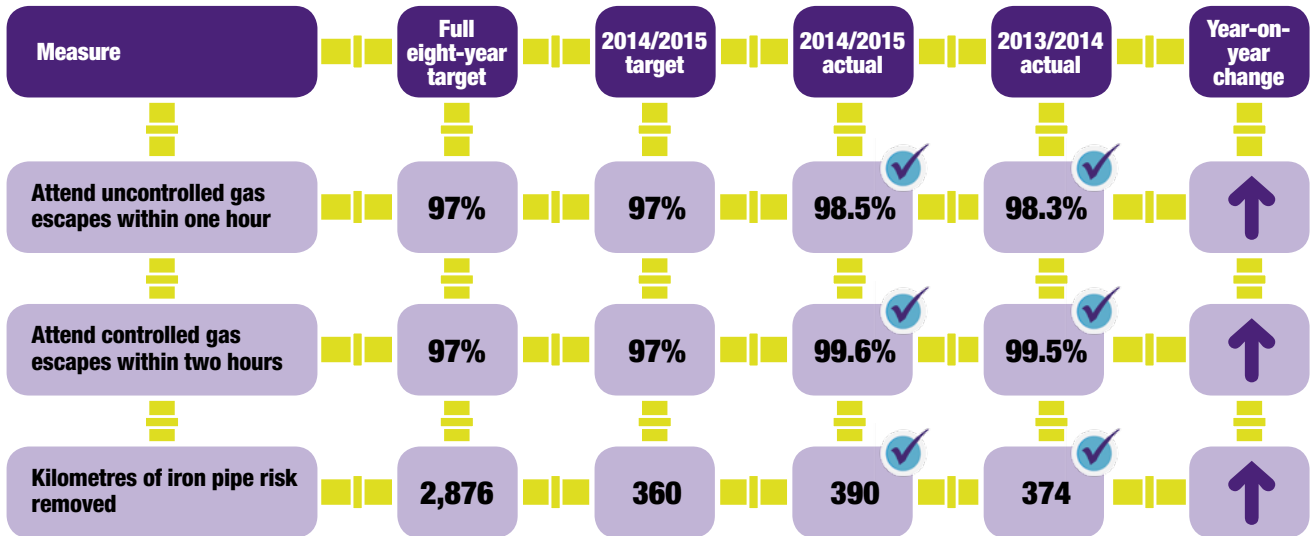
Our stakeholders told us...

- Our mains-replacement programme, targeted at removing old metallic mains and reducing the risk of gas explosions, continues to be a priority – it should either stay at its current pace or even be completed more quickly.
- Our performance in attending emergency calls from the public was considered good – the current target of attending 97% of calls within the allotted time was viewed as appropriate going forward.

Delivery



We delivered...



- **No injuries** which caused working time to be lost for either our employees or contract staff.
- **Exceeded the one-, and two-hour emergency response targets** of 97%. We are one of **only three GDNs** to have achieved this every year since we were formed in 2005.
- **Replaced more iron mains with plastic than planned** (390km compared to a target of 360km).
- Been recognised by HSE during an audit as an **exemplar organisation** for process safety in major accident prevention, not just in gas, but across all major high-risk industries.
- Awarded a **RoSPA Gold 2015 Award** for excellent occupational safety for the second year in a row.
- Updated and received **approval from HSE** for our **safety case** across the **entire eight years** of RIIO-GD1 during 2013/2014. We are the only network to go through this process and we have been **praised by HSE** for our industry-leading approach to network safety.
- Theft of gas – **reduced** the number of sites not registered to a gas shipper **by 48%**. We continue to work across the industry to deal with the remaining sites.
- **Responded effectively** to two major incidents where water from a burst water main got into our network. These affected over 1,200 properties of which 179 related to vulnerable customers. During the incidents, we provided dedicated on-site support with a particular focus on the most vulnerable in those communities.
- Led a national emergency planning event in November, attended by over 100 delegates to share best practice between utilities and the emergency services. As a result, we updated some of our emergency planning processes and documents.

Mains replacement

We designed our mains-replacement programme to give the greatest benefit (in other words, highest risk reduction and lowest cost) to customers as early as possible, while still meeting the eight-year output targets. To achieve this we created larger replacement projects to deliver improved efficiency and reduce unproductive time when we are getting teams to set up and move from project to project. This, together with careful cost control, helps to make sure that the £72 million spent on replacement in 2014/2015 delivered more value for money.

However, this approach results in us generally being in places for longer. We realise that nobody likes roadworks in their area, and we will do our best to make sure that we cause as little disruption as possible. Wherever possible we will use a technique to replace the gas main that allows us to replace the pipes in the street without interrupting customer supplies. The only interruption takes place when we move the connection from the old main to the new main.

We continue to share our forward-planning with councils and highway authorities, using their expertise to help schedule the work. We have shared our five-year plan to help with these discussions as well as carrying out wide-ranging community action to keep disruption to a minimum while we complete this essential repair work.

For work which has a significant effect on communities we make sure we communicate widely with local residents, businesses and community services such as schools, universities, hospitals and others. This includes posting tailored letters and newsletters to affected customers and communities, hosting open days to provide more detailed information and informing local media outlets such as local newspapers, community websites and local radio stations to make sure everyone is aware of our plans. This work can include planned roadworks, diversions, road closures and the timescales it will take to complete our work.

Reliable emergency service

Our emergency operatives are on call 24 hours a day, seven days a week, 365 days a year. If you smell gas, call the national gas emergency number on 0800 111 999.

We continue to respond quickly when gas escapes are reported – more than 97% of the time we will arrive in just one hour if the escape is uncontrolled (in other words, the customer cannot turn their gas off) and within two hours if customers can make the situation safe by closing the emergency valve on their gas meter.

Less than 4% of properties connected to our network experienced a gas problem in the year. That said, we attended almost 91,000 public reported escapes. This was a 7% reduction on the previous year's figures. Around 72,000 (80%) of the escapes we attended were internal escapes on customer pipework and not related to our network. In these instances, we made the properties safe. If we have to disconnect a supply for safety reasons, we offer alternative cooking and heating facilities for vulnerable customers.

What next?

- 1 We will further reduce the risk posed by deteriorating metallic mains by continuing the programme of replacement. In 2015/2016 we will:
 - remove another 360 kilometres of iron mains; and
 - renew more than 40,000 customers' services, replacing metallic pipe with a long-life plastic equivalent.
- 2 We will maintain our high performance of attending gas escapes reported by the public at above 97%, a target strongly approved by stakeholders.

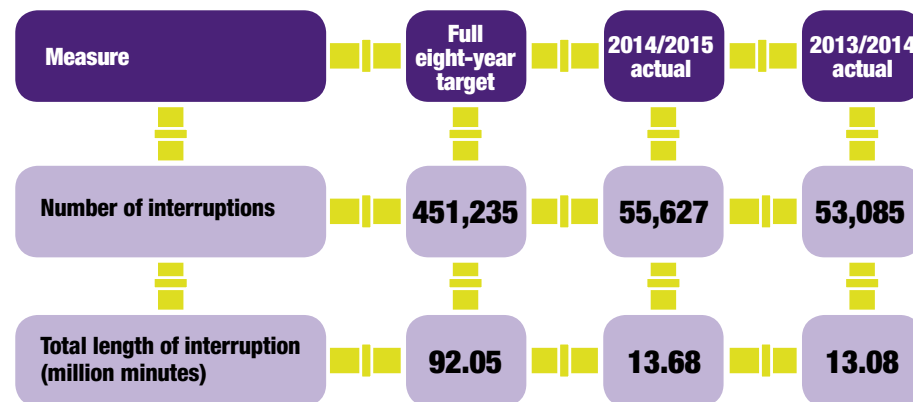
Reliability

We make sure you can rely on your gas supply

Our stakeholders told us...

- Our current low level of gas supply interruptions was considered excellent and something we should continue to deliver.

We delivered...



We make sure gas is available when needed – reducing, as far as possible, the amount of time gas is not available and making sure that, if we need to interrupt the supply, it is for the shortest time possible. Customers will experience a gas supply interruption on average once every 40 years as opposed to once in every four years for an electricity interruption. Most of our interruptions are for planned work. Whatever the cause of the disruption, we keep customers informed throughout and we identify any vulnerable people and help them through the interruption. In many cases, we provide alternative cooking and heating facilities.

- We are the lead network in terms of number and duration of planned interruptions. The average length of our planned interruptions is 1.5 hours better than the next closest other network and 2.5 hours better than the industry average, as shown in the table on the next page.

Average planned interruption times (minutes)	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Wales & West	246	246	240	229	205	184	246
Northern	528	518	896	919	541	396	428
SGN	390	536	566	472	410	426	363
National Grid	424	438	462	481	509	598	532
Average	397	435	541	543	416	401	392

Damage caused by other people

We invest millions of pounds each year to make sure our pipelines are protected from corrosion, ground movement and other interference. Although these cause problems, the biggest danger comes from interference from other individuals or organisations. You can help to prevent damage to our pipelines by telling us before you begin any work. Or, you can contact us to register so you can view our maps online. We currently have over 40,000 approved users.

Please help us continue to serve communities by protecting our equipment. Call us on 02920 278 912 and we can advise you on the exact location of the pipeline and the safest way to complete the work.

What next?

- 1 We will continue to maintain and invest in our assets to make sure they stay in a good condition and to make sure there is a reliable and safe gas supply to homes and businesses.
- 2 We will maintain the current low level of interruption, and make sure that we can deal with the peaks of winter gas demand we have to provide. To achieve this we will continue to invest £120 million a year for the remaining six years of the price-control period.

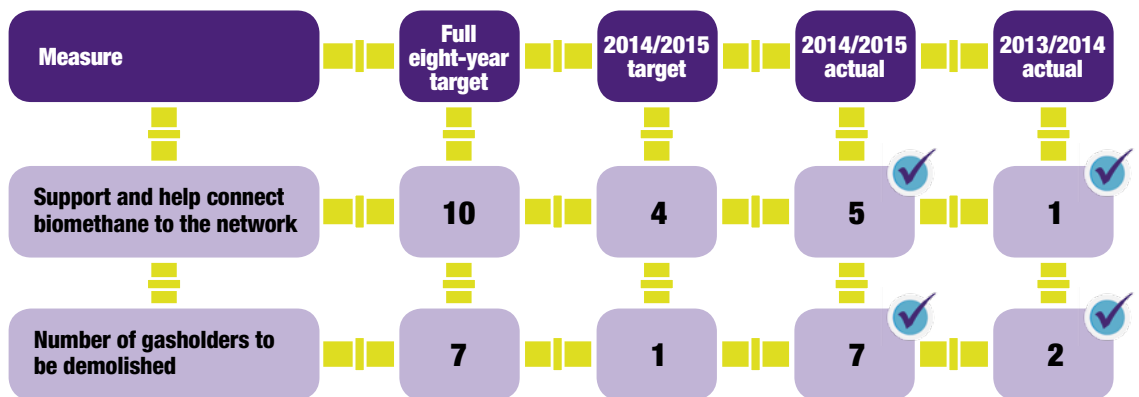
Environment

We protect the environment for future generations

Our stakeholders told us...

- Our focus on reducing gas leakage from our pipes is still considered a top priority, given that this accounts for around 96% of our total carbon emissions.
- There is still a lot of support for introducing more renewable gas into our network from landfill sites or waste digestion (connection of biomethane).

We delivered...



- **Demolishing holders** – we exceeded our programme for this eight-year control period (**six years early**) – to improve the environment, with more holders demolished than planned (completed 10 against an eight-year target of seven to eight).
- Environmental emissions – we further reduced gas lost to the atmosphere during transportation or incidents on the network by 5% during this second year and expect to outperform our target of a 5% reduction over the eight-year period to 2021.
- We recently completed our **fifth biomethane network connection** and have a **further five live enquiries** that we are following up with biomethane producers.
- **The future use of gas assets** – we carried out groundbreaking research into the future role of gas from a consumer's viewpoint and built a model that allows low-carbon alternatives to be evaluated at an individual property level. We also contributed to the debate on the future delivery of heat by using this model in the real network town of Bridgend, highlighting low carbon alternatives for each property.

Reduced emissions

Delivering a low-carbon, sustainable gas network is an important commitment for us. Our environmental strategy aims to reduce our carbon-dioxide emissions by a further 12% by 2021. We continue to look for alternatives to our work that are less carbon-intensive.

Gas storage

We continue to reduce the overall risk of the network by demolishing redundant gas holders which we no longer need or use. We then return the land at appropriate sites to the condition it was in before the gas holders were built. Advances in technology, better planning and more capacity and flexibility within the network mean that these holders are no longer needed. Demolishing them improves safety by removing the temptation for people to climb them and removes the ongoing maintenance costs of keeping them in a safe condition. The Health and Safety Executive (HSE) has an active interest in both of these programmes, as do the Environment Agency and local authorities, where we have needed both planning and environmental agreements or permits.

Following a review of gas-storage requirements, we have taken all of our low-pressure gas holders permanently out of service. During 2014/2015 we demolished seven holders – three in Bath, two in Bristol and two in Weston-Super-Mare.

Working in communities to tackle any risk posed by our contaminated land

We manage about 165 former gas-production and historically contaminated sites.

One example of remediation work we carried out this year was at Briton Ferry Gasworks. A number of houses were built on part of the old gasworks where contamination had been deposited in the past. Due to cuts in Welsh Government funding, only very limited work was carried out at the properties in 2011, leaving the community somewhat disappointed.

Our involvement extended not only to making sure the work was carried out carefully, but managed people's expectations every step of the way. "We became a large part of the residents' lives, I think the personal touch helped; it built trust and understanding," said Oliver Lancaster, WWU Principal Environmental Engineer.

We got actively involved with the community and a local school by hosting a science, technology, engineering and maths (STEM) workshop. The project team also gave talks at school assemblies on safety related to construction sites ahead of the long summer holiday and information on our Smell Gas campaign. They also completed a sponsored 'marathon' relay race around the town, involving some of our colleagues, regulators and contractors on site, where we all raised nearly £2,500 towards the school funds.

"It is really satisfying to see the benefits that Wales & West Utilities are bringing to Briton Ferry – not only including the work they are carrying out in the area, but also the money they have raised to benefit local children. It will really make a difference to teaching and learning at the school," said Councillor Hugh James, Mayor of Neath Port Talbot.



Factfile

- Soil treated and saved from landfill **7,288** tonnes
- Saved lorry journeys through the town by treating soil on site **766**
- Material reused on site **84.6%**
- Slow worms moved **117** Hibernacula built **1**
(homes we built for the slow worms)
- Staff and machinery **100%** from the local area
- IGEM technical site visits **x3**
- Public open day **x1**
- School engagement (assemblies, lessons, meetings and fundraising) **x4**
- Letters delivered by hand **x9**
- Customers involved **x300+**

What next?

- 1** We plan to reduce our carbon footprint (the amount of carbon we produce) by another 2% next year towards an overall reduction of 16% by 2021.
- 2** Further improvements will include a reduction in the amount of waste we send to landfill and reducing the volume of fresh materials used to fill holes where we have been digging.
- 3** We will help to connect a further 500kW of biomethane into the grid, with five new connections planned for 2015/2016.

- We won the prestigious **UK Utility Industry** and **IGEM Customer Service Awards** again in 2015. The IGEM Award was our **fifth win in the last seven years** and we're very proud of our record in delivering industry-leading customer service.
- We reclaimed our **top spot on customer satisfaction** – a position we've now held for five of the last seven years, scoring an average of more than nine out of 10 from 1,800 customer surveys. This displays our **absolute focus** in **delivering excellence to our customers**.

Customer satisfaction	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Wales & West	9.04	8.69	8.59	8.47	8.17	8.13	7.94
Northern	9.01	8.75	8.23	8.13	7.24	7.75	7.40
Scotland	8.79	8.72	8.62	8.32	8.10	7.98	7.81
East of England	8.35	8.31	8.17	8.29	7.88	7.69	7.59
Southern	8.64	8.56	8.32	7.96	7.76	7.76	7.63
North West	8.46	8.31	8.12	8.12	7.72	7.57	7.42
West Midlands	8.32	8.18	7.80	7.91	7.71	7.60	7.46
London	7.78	7.78	7.70	7.74	7.28	7.16	6.82
Average	8.55	8.41	8.19	8.12	7.73	7.71	7.51

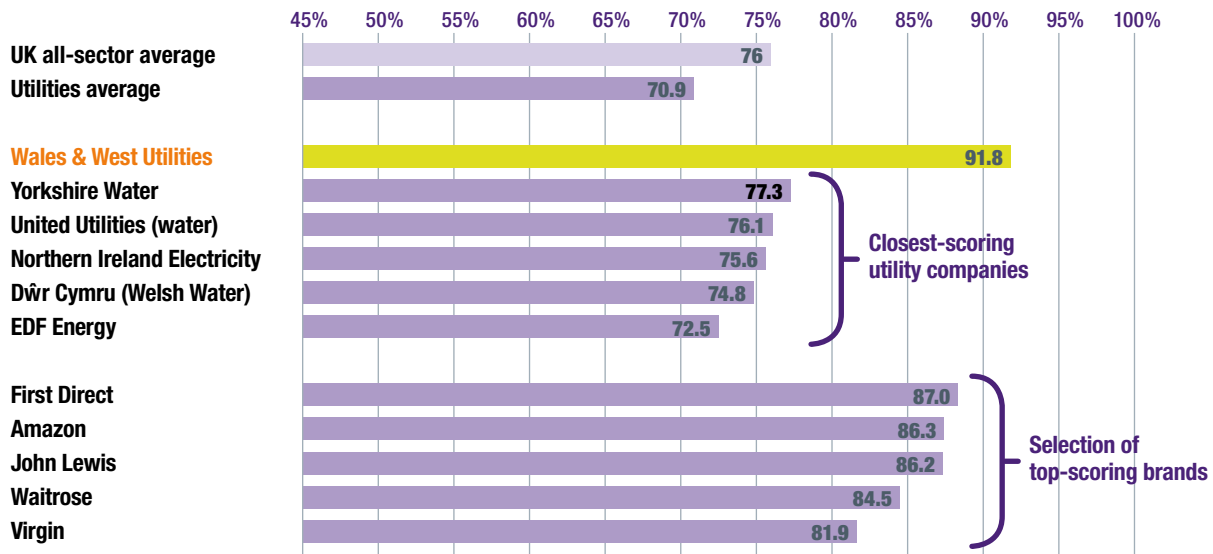
Complaints

- In the **top two** networks for handling complaints ranked by Ofgem.
- **No Ombudsman case** ruled against us for four years.
- The **fewest cases** taken up by the Ombudsman of any GDN.

Ombudsman cases	2014/2015	2013/2014
Wales & West	1	3
Northern	2	2
SGN	13	18
NGG	87	77
Average per GDN	13	13

- We worked with Plain English Campaign to Crystal Mark our main documents, making sure they are easy to understand and accessible for all our stakeholders. Some of these are now used as best practice across the UK.
- We have the **shortest customer interruption time** for mains replacement work of all eight networks – reducing disruption to consumers and keeping gas available for longer.
- We were recognised by the Institute of Customer Service with a **world-class customer satisfaction rating**, achieving Service Mark accreditation. This makes us a leading company among household brands worldwide, not just within utility businesses.

UK Customer Satisfaction Index



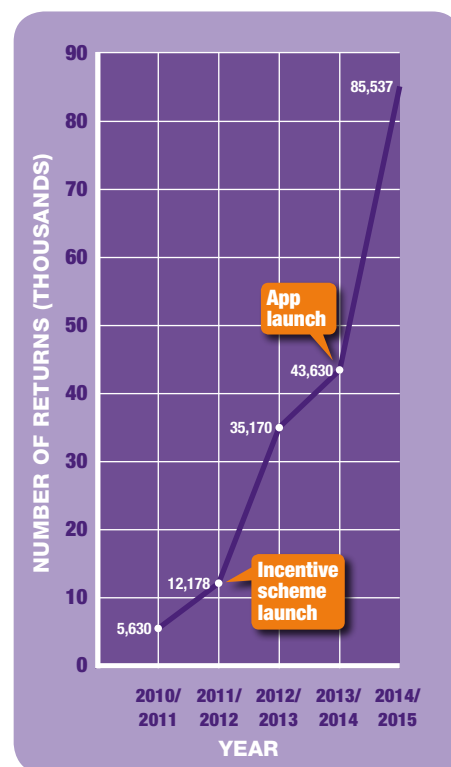
- Service Mark is a national standard which recognises our commitment to, and achievement in, customer service.
- **Communication improvements** – stakeholders said our communication could be better. In response, we updated and refreshed the way we communicate before, during and after emergency visits. This change has had a direct effect on service levels. We also use social media (Facebook and Twitter) to keep customers aware of our activities.
- Training to **support our vulnerable customers** – we invested heavily in training our staff to help them to provide a very tailored, efficient and caring service for our more vulnerable customers.
- **Respect for customers' homes** – we use shoe guards and dustsheets to show respect for a customer's property and fill in a quick survey with the customer to make sure they are fully satisfied with the service before our representatives complete jobs.
- **New website** – our website is linked to www.roadworks.org 'in your area' – this allows access to all potential roadworks and includes details of our community work in the area (an industry first).

Smart apps

Outside the regulatory reporting process, we have been collecting customer feedback since 2007 to improve our performance. In 2011/2012 we introduced incentives which directly link employee rewards to the volume of feedback they are able to collect. This saw an increase in the volume of feedback. However, when the trend started to flatten out, we consulted our customers and colleagues as to how we could continue the upward trend.

In response to their feedback we looked to develop a more accessible method of collecting feedback. In 2013/2014, we introduced a customer service app for our operatives' smartphones, designed to encourage communication with customers.

Feedback collected has almost doubled as a result over the last 12 months. These returns cover 50% of our work – on which we are able to receive and respond to customer feedback in real time. We have since updated the app to specifically ask if shoe guards are being worn to protect customers' homes, following feedback that this was important to our customers.



What next?

- 1 We plan to maintain our excellent customer-satisfaction levels compared with other GDNs. We have consistently been the leading performer in customer service over the last five-year period. We aim to maintain this excellent performance in 2015/2016 and beyond.
- 2 We are working with our vulnerable-customer panel to improve the service we provide to customers most in need. We are on track to achieve the British Standard for inclusive service provision (BSI 18477) in 2016 which assesses how companies identify and respond to customer vulnerability.

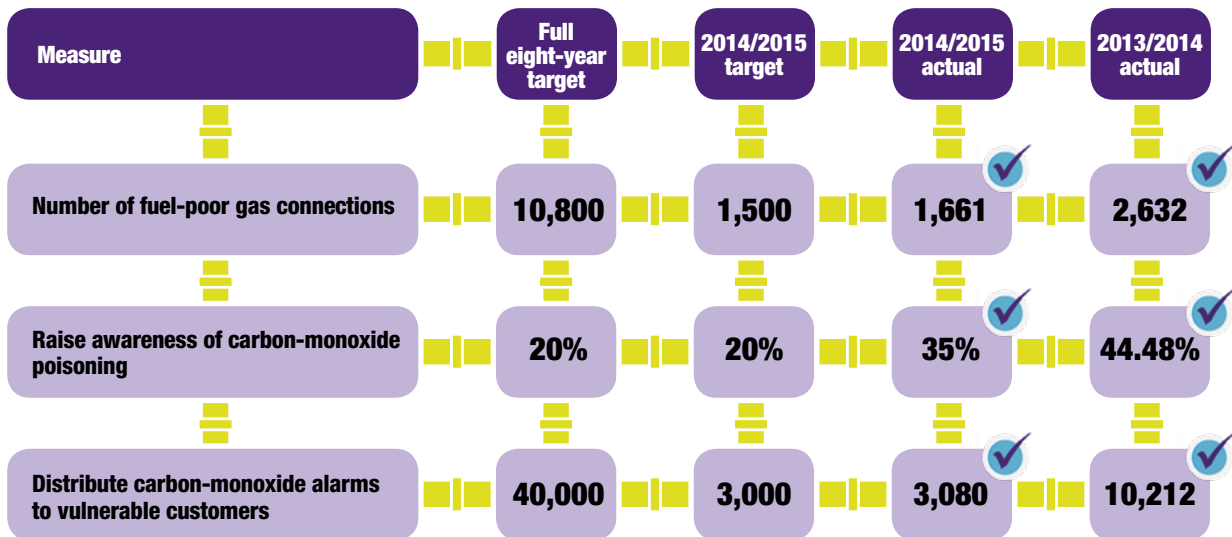
Social commitments

We support our local communities and work to protect our customers from rising energy costs and the risk of carbon-monoxide poisoning

Our stakeholders told us...

- Connecting households to mains gas which are suffering as a result of high energy costs was widely praised and encouraged.
- Raising awareness of carbon-monoxide poisoning was considered a valuable social service – recognising the need for wider industry involvement and not just gas networks.

We delivered...



- An independent panel recognised our contribution to the wider community and all **stakeholders** by awarding us the **highest score of all the GDNs**, and the third highest score across all network operators.
- The Discretionary Reward Scheme Panel also recognised our great achievements in the year. We were also **awarded the highest scores** from this panel for our work on carbon-monoxide awareness, fuel poverty and environmental projects.
- We **outperformed our fuel-poor connections** target of 1,500 by 11% in 2014/2015 and have connected 4,293 homes compared with a target of 3,000 after the first two years. We are predicting outperforming our eight-year target (of 10,800 fuel-poor connections) with a revised target of 12,590 families taken out of fuel poverty and saving them on average £500 a year in fuel bills.
- We delivered our 10,000th fuel-poor connection during 2014/2015.
- We led the industry to increase awareness of the dangers of carbon monoxide and distributed over 3,800 CO alarms during the year. We are also influencing energy

legislation resulting in a parliamentary bill to use CO alarms in private rented accommodation.

- We won the Business In the Community Wales 'Building Stronger Communities' Award in June 2014. This recognised the creative ways we involve our community to increase the awareness of carbon monoxide.
- We created a hardship fund to help vulnerable customers who have difficulty with follow-on work needed after our visit.
- We delivered 1,000 'keep warm' packs to vulnerable customers across our network who were off gas for more than four hours.
- We are proud to be the main sponsor for the 'Bristol Hero Community Awards', an event that recognises outstanding community contributions made by people with particularly challenging backgrounds.

Congratulations to our community's young heroes



- We are working with the Shaw Trust to make sure our website is fully accessible and translates into 10 languages.

Working to make energy more affordable

Tackling affordability and vulnerability are two important issues that are central priorities across our business. In supporting the Government targets to make energy more affordable, we have adopted an approach that extends beyond just those properties that are close to the existing gas network. Our Warm Home Assistance scheme is based on a voucher system where customers who qualify get financial help to convert to gas to heat their homes. The voucher had a maximum value to customers of £2,778 for 2014/2015.

Saying 'no' to CO

Any fuel that burns can cause carbon monoxide (CO). It is difficult to detect because it has no smell, taste or colour. Breathing in carbon monoxide can be fatal as it blocks the

ability of the blood to absorb oxygen. Around 40 people in the UK die each year because of exposure to carbon monoxide and a further 4,000 people need hospital treatment or visits to the doctor.

With around 250,000 gas appliances condemned (no longer fit to use) each year and assuming 10% of these are releasing significant amounts of carbon monoxide, as many as 25,000 people every year may be exposed to the effects of carbon monoxide. Estimates published by the All Party Parliamentary Gas Safety Group suggest that as few as 12% of these homes are fitted with a CO alarm. As a result, the number of people at risk is believed to be far greater than official figures suggest.

Providing a safe and secure gas supply is central to our business priorities. Although we have no regulatory or statutory obligation to raise awareness of carbon-monoxide poisoning, after consulting our stakeholders the campaign forms a central part of our social commitments.

We have developed a strategy, recognising that carbon monoxide is not only a gas issue. The strategy delivers a wide range of initiatives both to our colleagues and, more widely, to the 7.5 million people who live and work within our network. By using the information which engineers collect at around 6,000 visits each year relating to suspected CO poisoning, we developed a 'hotspot' analysis tool and became the first network to use information from incidents to actively target our campaigns to those communities most at risk.

Tailoring our messaging to these groups has meant our campaign can reach more people and be more effective in inspiring a change in people's behaviour. We use existing partnerships and sponsorship packages to make sure we achieve the most value from every pound spent. Our partnerships with Dangerpoint and Lifeskills centres in Bristol and North Wales now include CO awareness. **The 15,000 pupils who go to these centres each year receive CO safety messages, as well as information on what to do if they smell gas.**

The way we work with the arts is recognised as unique among the gas industry and as best practice within the wider business. We have also worked with the Royal Welsh



Children's artwork to raise awareness of carbon monoxide displayed at the Eisteddfod Urdd

College of Music & Drama to develop an outreach programme to raise awareness of the dangers of CO among teenagers in 'hotspot' areas which have high numbers of people suffering CO poisoning. Through this highly innovative project, theatre-design graduates created and took on tour a giant puppet, designed to represent the warning signs of this deadly gas, to secondary schools and colleges involving around 1,200 young people. The project was the first outreach project for the college theatre-design students.

We also worked with the Vale Council, Fire and Rescue Services and South Wales Police



Partnering to deliver key safety messages to vulnerable communities

to target a vulnerable community in South Wales. **Our dedicated employee volunteers visited 500 properties over four days, providing each with home safety advice and installing a CO alarm.** For this project, the alarms were kindly donated by the Council for Gas Detection and Environmental Monitoring (CoGDEM) members at no cost to our customers. Environmental-health graduates surveyed the properties before and after this action to carry out a detailed piece of research into the effect of this campaign.



Supporting local communities to protect and improve the environment

At a local level we work with Business in the Community and are proud to have been one of only two companies shortlisted for Wales' large responsible business of the year. Rosie Sweetman, Director of Business in the Community Cymru, said: "I congratulate each of the companies on the shortlist, not only for their success in getting this far in the Awards, but also for playing their part in creating a more sustainable Wales for everyone."

What next?

- 1 We will continue to work with partner organisations to help tackle the issue of the rising cost of energy by supporting programmes to provide households on a low income with a gas connection.
- 2 We will continue to raise awareness of the dangers of carbon-monoxide poisoning, both through our daily activities of visiting customers' homes and by using specific campaigns targeting those most at risk in our communities.

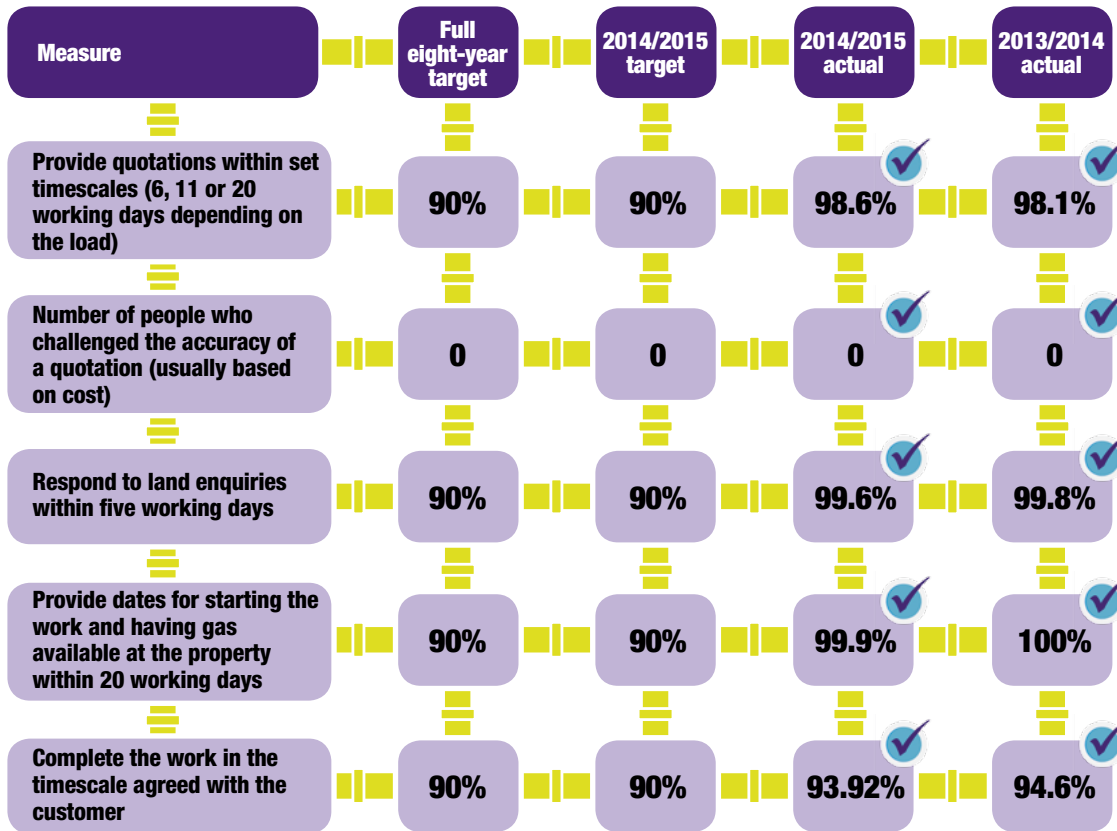
Connections

We work hard to extend the gas network wherever this is the best possible solution

Our stakeholders told us...

- Our service levels for connecting new customers were considered good.

We delivered...



- We made mains **gas available to a further 11,000 families, reducing** their fuel bills by an **average of £500**.
- We further **reduced our connection lead times** for customers by five days (from 24 days to 19 days).
- We developed an **industry first** and award-winning online connections portal which offers an improved experience for customers – **reducing the time it takes to provide a quotation from up to six days to 20 minutes**.
- Our online quotations tool won the **2014 Utility Week Award** for IT Innovation and we have hosted a number of visits from other utility companies to show how our system works and talk them through our improvements to customers' experience.

- We issued 200 quotations for connections each month using our web portal. This is over 15% of our total quotations.
- We achieved a connections **Customer Satisfaction survey score of 9.01**, improving from 8.34 in 2013/2014. We have again performed well against Guaranteed Standards of Performance (GSoP) and reduced our liability payments for quotations by 30%.
- We had a significant increase in our workload on new housing developments with almost 700 extra connections. This increase is above the growth levels reported by the National House Building Council and reflects the fact that we are taking work back from independent gas transporters in our area by offering excellent customer service, value for money and being able to carry out work within reasonable timescales.
- We made 1,661 connections using funding from the Warm Homes Assistance scheme. While this is significantly down on the 2,632 connections we completed in 2013/2014, we continue to see a steady stream of projects from social and private landlords and privately owned homes. In our recent response to workload forecasts to Ofgem we **increased our forecast to 12,590 connections** by the end of RIIO-GD1 compared to our original business plan forecast of 10,800. We continue to play a lead role in influencing policy such as the £25 million DECC fund for new central-heating systems and the DECC off-gas property data mapping, which identifies properties currently off the gas grid that may be eligible for grant funding, through the Off Gas Grid Working Group.

Gas connection is fully competitive. Customers do not have to use us to connect to the gas network and can choose another provider. We generally complete 50% of all gas connections across our operating region ourselves. In 2014/2015, we connected to 11,498 services, an increase of 11% on the previous year.

- Households converting to gas will see a significant saving of around £500 on their yearly heating and cooking bills.

What next?

- 1** Our current performance in providing new connections is better than the regulatory standard we need to meet. We plan to maintain this position and, in the process, keep customer service in the top-two level of performance.
- 2** Working on a new national platform with other networks and the energy innovation centre.

Innovation

- We continue to improve our approach to innovation. We balance solving today's problems and planning for the future of the sector.
- We make the most of our innovation activities by working with others. To make sure we do not duplicate effort, we work with the industry to share best practice and develop a shared approach where possible.
- We assessed 139 ideas, have 22 NIA projects (lead network for five out of 17 where we have worked with other GDNs), 13 of which started in the year. We have invested £1.6 million. We have started six projects at no cost and our highest value project is £752,000 for assessing the condition of gas pipes. These projects will reduce future spending by £250,000 a year. Eight projects have a safety benefit, 15 projects provide a reliable and sustainable gas supply, six projects help us with our drive for outstanding service and another eight deliver value for money for our customers.
- We collected two awards.
 - EIC 2015 Innovation Awards – **'Best Gas Network Improvement'**, for our ductile iron mains window cutter
 - **Wales Quality Centre, prize winner** for our innovative collaboration with the Royal Welsh College of Music & Drama with our project to raise awareness of carbon-monoxide poisoning.

Our charges and the effect on customer bills

As a highly regulated business, our costs are paid for through bills that gas customers pay.

Currently, the average domestic customer pays £144 a year. At around 39 pence per household each day we believe this delivers excellent value for money for safely transporting gas to homes and businesses.

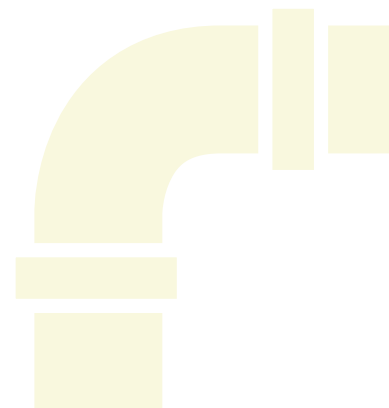
In April 2015 we reduced our prices by 0.9% (a 3.1% reduction after accounting for inflation on the average domestic bill).

We are committed to providing an efficient service and predict that our cost to the average consumer will continue to fall over the price-control period until 2021, after adjusting for inflation, as shown in the following graph.

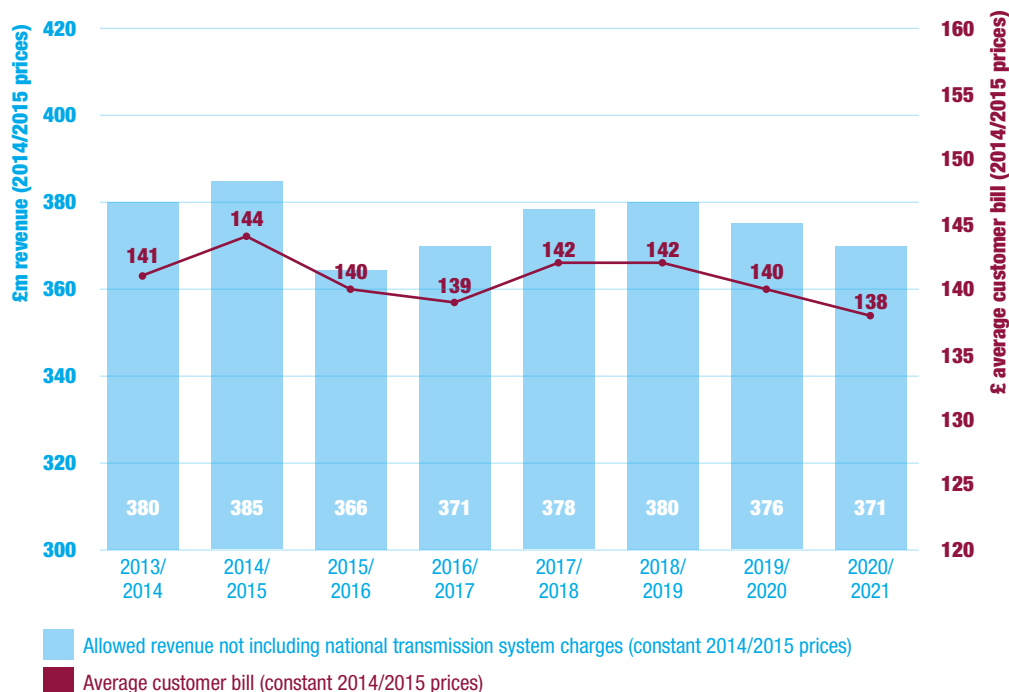
An advantage of the current price-control mechanism is that customers should benefit from any efficiency improvements achieved by the gas distribution businesses two years after they are achieved. They will not have to wait until the start of the next price-control period.

For customers to benefit from the savings made by our achievements, suppliers must pass on the reductions in charges they receive from the gas distribution businesses.

The future



Average domestic customer bill in constant prices (in other words, not including inflation)



Other challenges

Our stakeholder engagement strategy will move forward and drive our business as needs change. We must continue to listen to emerging themes and refresh what we do in line with this. We have some early indications of future issues as outlined below.

- Ageing population (more vulnerable customers) – this will drive the need for continued review of the services we provide to our vulnerable customers.
- New stakeholder groups – local enterprise partnerships and regional hubs – this is encouraging us to involve new partners and work with other utility companies.
- Community purchasing groups and the emergence of non-traditional organisations – this may mean we get more involved locally on issues that were traditionally national.
- Consumers are now becoming producers of energy. Locally producing energy and potential greater interaction with the electricity grid will create a new stakeholder group and has an effect on our business.
- Exploring how we can make gas less carbon intensive – in other words, looking for alternatives to natural gas, such as adding hydrogen.
- Working to reduce our reliance on natural gas imports.

Working with you – how to get involved

Our commitments are designed to give you a safe gas supply which is there when you need it while also providing first-class customer service.

We really value your opinion and we would like you to continue to help us shape our business over the coming years.

If you're willing to help us, we would be pleased to hear from you. There are many ways you can get in touch and be involved.

- Would you like to be involved in our customer panels?
- Could you take part in an online survey?
- Would you like to come to one of our events?
- Do you have any suggestions on how this report could be better?
- We have funds available to support innovation projects which help deliver our commitments – is this something you'd like to work with us on?

Need more information?

Please visit our website www.wwutilities.co.uk and register your interest today.

If you would like more information call our Stakeholder Engagement team on 02920 278546 to chat about how you could get involved or email us on workingwithyou@wwutilities.co.uk

We look forward to working with you to continue to shape the future of our business.

For general updates and information, why not follow us on Twitter [@wwutilities](https://twitter.com/wwutilities) or on Facebook at facebook.com/wwutilities

To ask about our training academy and services, please email trainingacademyenquiries@wwutilities.co.uk

If you're carrying out work, to ask about the location of our pipes, stay safe and prevent damage, please email plantprotection@wwutilities.co.uk

Interested in a career at Wales & West Utilities? Visit our website for latest vacancies or contact our HR team by emailing recruitment@wwutilities.co.uk

Do you have an idea for a new product or research, which may be relevant to our business priorities? Contact our innovation team by emailing innovation@wwutilities.co.uk

For more information on, or to be considered for, our Warm Home Assistance scheme, contact our team on enquiries@wwutilities.co.uk

For general enquiries, please email enquiries@wwutilities.co.uk

Awards and recognition

We've been recognised publicly with the following awards and accreditations.

**IGEM
Customer
Service Award
2015**



**Utility
Week
Customer
Care Award
2014**

**Utility
Week IT
Initiative of the
Year – for our
Online Customer
Connections
Portal**



**Institute
of Customer
Service
Accreditation**



**ISO 55001
– Asset Management
Systems –**
the first gas company
worldwide to achieve
certification of its
investment and
maintenance
plans

**RoSPA
Gold Award**



**ISO 14001
– Environmental
Management
System**

**Arts & Business
Cymru 'Arts, Business
& Employees' Award
for 2015 –**

for our innovative
approach
to customer
service training



**UK Energy
Innovation Awards
'Best Innovation
Implemented or
Adopted by a
Contractor' Award
for 2014**

**Business in
the Community
Wales 'Building
Stronger
Communities'
Award 2014
and Reaccredited
in 2015**



**National
Joint Utilities
Group 'Minimise
Disruption'
Award 2014**

HSE recognition –
for our industry-leading
safety processes by
providing us with an
'exemplar' rating in the
management of major
accident safety and
leadership

