

RIIO-GD1

Third Year Annual Report

Year ended 31 March 2016

Wales & West Utilities

July 2016



REPORTS



WALES&WEST
UTILITIES

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1. Message from our Chief Executive

I am delighted to present our third annual performance report for the RIIO-GD1 price control period to Ofgem and our other stakeholders.

As this report shows, we continue to build on our performance in the first two years of this price control period. We have efficiently achieved and exceeded all of the outputs set for the third year of the price control and are on track to achieve the outputs measured across the full eight year price control period, while keeping our costs within the forecast we provided in last year's report.

Our continued focus on performance has brought us significant successes. We've been recognised by the Institute of Customer Service with a "Distinction" status for our customer service rating, and continually achieved more than nine out of ten in Ofgem's overall customer satisfaction survey.

The Health and Safety Executive (HSE) has recognised our industry leading safety processes by awarding us an 'exemplar' rating in the management of major accident safety and leadership.

We remain committed to doing what we can to provide targeted support to the most vulnerable across our network, and drive forward innovation, all with an eye on the future of energy and how we can contribute to the delivery of a future energy system that is secure, reliable, affordable, and environmentally sustainable. I'm particularly proud of the work we're doing in this area.

I'm also proud of the good value we are providing to our customers, with our charges continuing to drop – now below the level at the start of the RIIO-GD1 price control.

Our excellent performance across all output categories is driven by our people – and our values of working as a team and putting our customers first, and being accountable for our work while always challenging ourselves to do better.

I remain incredibly proud to say I lead Wales & West Utilities. I would like to particularly thank our stakeholders for their continuing support during the course of the year and over the remainder of the RIIO-GD1 period, and I hope you find this report of interest.

Graham Edwards,
Chief Executive
Wales & West Utilities

2. Executive summary

2.1. Another outstanding performance in the third year of RIIO-GD1

We continue to build on the performance improvements we achieved in the first two years of RIIO-GD1: we have **met and exceeded all output categories** and remain **on target to meet our outputs measured across the full eight year price control period** whilst spending within the forecast we provided in last year's report.

Highlights for the year include:

Safety

- ✓ The **HSE** continues to recognise our **industry leading safety processes** by awarding us an '**exemplar**' rating in the management of major accident safety and leadership. **ROSPA** awarded us their highest "**Gold Award**" for the third year running; an industry first. We also won the **2016 IGEN award for Safety**.
- ✓ We have **outperformed** our **risk reduction** target by **over 65%** in the first three years of RIIO-GD1 and 35% in the 2015/16 year.
- ✓ We have **outperformed** our one and two hour emergency response targets, as well as remaining ahead of our target for decommissioning iron and steel mains.
- ✓ **Collected £497k** from confirmed **theft of gas** cases. More than any other GDN thus far under RIIO-GD1.

Reliability

- ✓ **We have interrupted our customers less than anticipated**, and are the lead network in terms of number and duration of planned interruption. Our **average planned interruption** duration was **2.5hrs better than the industry average** last year and we have **reduced** our **time** by a **further 7%** in the last year.

Environment

- ✓ Our focus on the role of gas in the future of the UK's energy landscape has provided a valuable contribution to the on-going assessment of a future integrated energy system meeting the needs of our customers. We continue to take our leadership role very seriously.
- ✓ **We have completed 12 Biomethane network connections**; more than any other Gas Distribution Network in the UK and **conducted ground-**

breaking research into the future role of gas from a consumer's perspective and built a model that enables low carbon alternatives to be evaluated at individual property level.

- ✓ We have reduced our emissions to atmosphere by 4% in the year through targeted mains replacement and continued focus on minimising network pressures.
- ✓ One of our Directors has been recognised by IGEM for his “Outstanding” contribution to designing a sustainable, environmentally friendly energy future and the role of gas in it.

Customer service and supporting those most in need

- ✓ **Providing innovative and targeted support to the most vulnerable across our region.** Our continued focus has delivered bespoke services to our vulnerable customers including the provision of Keep Warm packs, oil filled radiators (that are safer than fan heaters) and microwave ovens to help safeguard customers with dementia.
- ✓ **New website.** Following review and feedback from our stakeholders we have implemented a new digital media strategy including a refreshed external website. Our site has gained the much valued “Shaw trust” mark to ensure it is accessible by those who may be in most need.
- ✓ Made substantial changes to our **complaints resolution** process which has resulted in an **improvement of 40%, reducing complaints** from 2,900 in 2014/15 to 1,776 in 2015/16.
- ✓ Making ourselves **more accessible to our customers and stakeholders** with a complete redesign of our website which is accredited by the Shaw Trust, and a refreshed social media strategy.
- ✓ **We have been recognised by the Institute of Customer Service with a “Distinction” status for our levels of customer service.** We are one of only five companies in the UK with this honour – the only network and the only utility.
- ✓ **Our customer service won us an IGEM award again in 2016,** for the sixth time in the last eight years, and we continue to achieve more than nine out of ten in Ofgem's overall customer satisfaction survey.

Social

- ✓ **Distributed** over 5,000 Carbon Monoxide **alarms** to the most vulnerable across our region.
- ✓ **Improved awareness** of the **Priority Services Register** and added over 900 people to the register.
- ✓ Developed **sector leading Fuel Poor partnerships** and helped attract £325,000 funding from central government into our region.
- ✓ DECC announced a one off £25m fund to support heating solutions for local authorities to bid into. We have supported the local authorities across our region and they have been awarded 24% of the funding allocated by DECC.
- ✓ Provided 1,500 Keep Warm packs to those in most need during gas outages.

Innovation

- ✓ **Our commitment to innovation remains**, and our collaborative 'Acoustek' project with other GDNs and the University of Manchester was awarded Best University Technology at the Energy Innovation Centre Energy Innovation Awards.
- ✓ We have **developed and implemented sector leading, smart and real time management information reporting** that allows managers and team leaders to fully understand performance in real time. The MI is giving us visibility of RIIO outputs and performance across all areas of our business

All of this has been achieved in the context of continuing value for money for our customers and stakeholders.

- ✓ We achieved our excellent results within the Totex allowance set by Ofgem for the year, a trend repeating our performance from year one and two.
- ✓ **Average cost to the consumer** for 2015/16 was £121, against £126 at the start of RIIO-GD1 in constant 2015/16 prices. **A steady decrease** and the **lowest of all the gas distribution networks**.
- ✓ We have reduced the volatility in our pension scheme deficit by diversifying our investment portfolio and introducing liability driven investment, thus improving predictability and stability of customer bills.
- ✓ **Average cost to the consumer** for 2016/17 is forecast at some £119, against £126 at the start of RIIO-GD1 in constant 2015/16 prices. **A steady decrease**.

- ✓ **Consumers will share the benefit** of our outperformance, provided shippers pass these cost reductions on in their own pricing.

We are building on our achievements to the benefit of our stakeholders, by aiming to deliver more than originally planned as eight year targets – without an increase in allowance.

A highlight for us all at Wales & West Utilities continues to be feedback we have received from our priority customers and other stakeholders:

“After moving house, I recently contacted your office in order to arrange the re-location of my gas meter which is currently in the garage. My 91-year old Mother will be moving in with me on 11th May, by which time the garage will (hopefully) have been converted into her en-suite bathroom. ...On each occasion that I have been in contact with your office, the staff have been extremely helpful and are making every effort to accommodate the meter move prior to mum’s arrival, if at all possible....I would like to formally express my appreciation of your staff’s considerate and professional assistance.”

Ms M Westbury-on-Trym

“Dear Sirs, will you please sincerely thank the two personnel who kindly brought me the super bag of heating equipment. Believe me at the age of 94 plus, I was thrilled. Again many, many thanks. I was so grateful. P.s. do you know where I can buy more of the super Easiheat for my hands?”

Ms E Nether Stowey

We sent additional hand warmers to this customer as a thank you for her kind comments

“I wanted to say thank you to everyone at WW utilities for their help today in Cannington. You are all doing a Stirling job of looking after us while repairing the gas pipe. I only hope the people of Cannington and Nether Stowey have been kind in response to hearing the news that we are without gas. I've been really impressed by the care offered to us and the heater and hob we've been given. Well done all and please pass my thanks on to the engineers in the villages affected, working hard to restore our gas supply.”

Ms H Cannington

“Your communication was superb, your staff were polite and helpful and in short, I was very impressed with the way this was handled.”

Ms D Cannington

“It’s been a remarkable 2 years since Vale Green, 11 projects, the most in any GDN area by a long way....your support and that of Chris Clarke in particular has been exceptional and greatly appreciated.”

John Baldwin, Managing Director, CNG Services

Our performance across our output categories is summarised in the table overleaf:

Output category	Examples of achievement this year	Overall assessment for the reporting year	Expected outcome for end of RIIO-GD1
Safety	<ul style="list-style-type: none"> ✓ Outperformed risk reduction target by over 65% in the first three years of RIIO-GD1 and 35% in 2015/16. ✓ Only two lost time injuries in the year. ✓ One of only three GDNs to exceed emergency response targets every year since they were introduced in 2005. ✓ Safety award from IGEM for 2016. 	We continue to achieve and exceed our safety outputs.	We expect to continue to meet, or exceed, our safety outputs throughout the RIIO period.
Reliability	<ul style="list-style-type: none"> ✓ The lowest number, and duration, of planned interruptions of all the networks. ✓ Lowest average planned interruption time of all GDNs; over 2 hours better than the next best GDN and 2.5 hours better than the GDN average for 2014/15, the most recent available data. ✓ Maintained 100% capacity availability for contracted loads. ✓ D30 performance is 98.25% of jobs digitised within 30 days, continuing to be a frontier GDN performer. 	We continue to achieve and exceed our reliability outputs, and have maintained an industry leading performance for our customers.	Continued improvement and industry leadership in this area.
Environment	<ul style="list-style-type: none"> ✓ Reduced shrinkage gas lost by 4% in the year. ✓ Finish gas holder demolition programme almost 6 years ahead of schedule. 	We continue to achieve and exceed our environmental outputs.	We are on track to outperform our overall RIIO gas shrinkage target by 5% over the 8 year period.
Customer service	<ul style="list-style-type: none"> ✓ Scored over 9/10 for overall customer satisfaction in Ofgem surveys. ✓ Achieved "Distinction" status from the ICS for customer satisfaction levels. ✓ Awarded IGEMs customer service award again in 2016, our sixth in the last eight years. 	We continue to achieve and exceed our Customer Service outputs, and focus on incremental improvement.	Maintain an upper quartile position amongst GDNs
Social	<ul style="list-style-type: none"> ✓ Increased our 8 year commitment to fuel poor connections by 17%. ✓ Distributed over 5,000 Carbon Monoxide alarms to the most vulnerable across our region. ✓ Improved awareness of the Priority Services Register and added over 900 people to the register. ✓ Developed sector leading Fuel Poor partnerships and helped attract £325,000 funding from central government into our region. ✓ DECC announced a one off £25m fund to support heating solutions for local authorities to bid into. We have supported the local authorities across our region and they have been awarded 24% of the funding allocated by DECC. ✓ Provided 1,500 Keep warm packs to those in most need during gas outages. 	We continue to meet and exceed our outputs in each area.	On track to meet or exceed RIIO-GD1 targets for the 8 year period.
Connections	<ul style="list-style-type: none"> ✓ Further reductions in connections lead times, from 19 days to 16 days; on top of the five day reduction in 2014/15. ✓ The influence of the NRSWA notification should lead to a further reduction 		
Innovation	<ul style="list-style-type: none"> ✓ The cost to consumers equates to just 40p (2014/15: 60p) of their annual bill, and our goal is to ensure customers get at least this value back before the end of RIIO-GD1. ✓ Invested £1m in innovation in the year. ✓ Recognition of some of our innovations with Acoustek a GDN wide collaborative project receiving the EIC award for Best University Technology award. ✓ IGEM Outstanding Contribution award for a senior manager looking at the future of energy and gas' role in it. 		

2.2. Continuing our commitment to delivery

We are committed to delivering for our customers and stakeholders – and are guided in this by our business priorities and values. We have a clear focus on action to improve the services we deliver.

Our excellent performance across all output categories is driven by our people; and our values of working as a team and putting our customers first, taking pride in delivering great service and being innovative. Investing in them to make sure we maintain and develop the skills necessary to deliver our obligations whilst keeping pace with technology and innovation is a key focus area for us through the rest of the price control period.

Investing in our people

Our programme of improvement is supported by the on-going investment to further develop our people, processes and equipment so we have the skills, confidence and innovative thinking to continue to deliver for our customers, ensuring our resourcing is appropriate for expected workload levels into the future.

Since we started operations, we have:

- ✓ recruited 117 apprentices and are in the process of recruiting a further 25 in 2016/17; and
- ✓ recruited eleven graduates with a view to developing more Chartered Engineers. One of our first intake has just achieved Chartered status, demonstrating the value of this investment.

These are in addition to the on-going development and training of our existing colleagues. Two valuable additions to our development framework in 2016 have been Pathways – a new coaching programme which supports our desire to develop a performance coaching culture, and our new First Line Manager Traineeships.

Challenging labour market

We continue to experience labour market rate demand increases due to limited availability of skilled labour. We are competing in a challenging labour market with major investment programmes in water and electricity utilities, telecoms industries, and the imminent construction of Hinkley C nuclear power station.

The intensification of the smart-meter programme is also challenging the retention of our skilled resource, while a number of other networks are also recovering deficits in their Repex programmes and actively recruiting to close workforce gaps.

We are mitigating the risk through our programme of graduate and apprentice recruitment and more targeted and bespoke upskilling of the current workforce for supervisor and technician roles.

More for us to do

We recognise that there is still much to do over the remainder of the RIIO-GD1 period. Our priorities for the 2016/17 year are:

- ✓ Further development of our stakeholder engagement strategy to reflect best practice.
- ✓ Further support mechanisms for the most vulnerable across our region, which is informed by our Vulnerable Customer Panel.
- ✓ Completion of the monetised risk process to support output reporting and assessment of asset intervention spend over the RIIO-GD1 period.
- ✓ Engagement with Department for Energy & Climate Change (DECC) ~ now Department for Business, Energy & Industrial Strategy ~ and Welsh Assembly Government, demonstrating how gas will support a low cost, low carbon, secure future energy mix.

We have achieved all of the year three specific outputs, and are also on target to deliver the outputs measured across the eight year RIIO-GD1 price control period to 2021. We are building on our achievements to the benefit of our stakeholders, by aiming to deliver more than originally planned as eight year targets – without an increase in allowance. We will be:

- ✓ Maintaining our safety levels;
- ✓ Delivering 17% more fuel poor connections than originally planned;
- ✓ Providing innovative and best practice support to vulnerable customers – guided by our vulnerable customer panel;
- ✓ Innovating in collaboration with partners as a catalyst to development of sector leading outcomes for our customers;
- ✓ Achieving greater reductions in emissions than anticipated; and
- ✓ Generating further reductions in controllable costs as included in our latest forecast.



3. Year three successes; output type

3.1. Ofgem measured outputs

We've delivered the year three specific RIIO-GD1 Outputs; and we are ahead of schedule to deliver outputs that have mid-point or longer-term targets attached to them.

A full list of the outputs, our achievements against each of them, forecast position at the end of the RIIO-GD1 price control is set out below.

Red, Amber, and Green (RAG) coding has been used to identify our relative performance against the Ofgem targets for each output.

The annual targets, and our performance against them, are set out in the table overleaf.

3. Year 3 successes, by output type

Primary (P)/ secondary (S)	Output Description	Committee managing ¹	FP Target annual	2015/16 actual	2014/15 actual	2013/14 actual
Safety						
P	Attend to uncontrolled escapes – one hour (percentage achieved)	E&R	97%	98.6%	98.5%	98.3%
P	Attend to controlled escapes – two hour (percentage achieved)	E&R	97%	99.6%	99.6%	99.5%
P	Performance on preventions within 12 hours (percentage achieved)	NM/E&R	40%	52.61%	49.47%	46.65%
P	Million repair risk score per annum ²	NM/E&R	24.18	11.57	18.63	24.69 ³
P	Safety case acceptance	NM	Accepted	Yes	Yes	Yes
P	COMAH report reviewed by HSE	NM	Approved	Yes	Yes	Yes
Reliability						
P	One in twenty peak demand (achievement)	NM	Achieve	Yes	Yes	Yes
P	Offtake meter error (percentage)	NM	0.1%	0.02%	0.03%	0.02%
P	Fault/duration measure (now) (Hrs)	NM	153	4.54	5.20	15.8
P	Fault/duration measure PSSR A1, A2 (other) (percentage)	NM	7.1%	5.0%	5.7%	6.2%
Environment						
P	Shrinkage gas volumes (GWh)	NM/Repex/ E&R	433	381	395	417
P	Leakage gas volumes (GWh)	NM/Repex/ E&R	407	363	376	398 ⁴
P	Biomethane connection	NM	Facilitate	Yes	Yes	Yes

¹ Committees structure comprise; NM: Network Management Committee, Repex: Repex Committee, E&R: Emergency & Repair Committee, and BO: Business Operating Committee

² Measured as sum of risk score of each leak x time to repair

³ Adversely impacted by one particular pipe, Oystermouth Road, Swansea, which was being replaced during 2013/14 and the work completed in 2014/15

⁴ Updated to v1.4 of the leakage model as agreed with Ofgem Autumn 2015

Primary (P) secondary (S)	Output Description	Committee managing	FP Target annual	2015/16 actual	2014/15 actual	2013/14 actual
Customer service						
P	Customer survey ~ planned interruptions (score out of 10)	Repex/ E&R	8.5	8.72	8.68	8.59
P	Customer survey ~ unplanned interruptions (score out of 10)	E&R	9.0	9.55	9.44	9.15
P	Customer survey ~ connections (score out of 10)	E&R	8.4	8.88	9.01	8.34
P	Complaint metric (score: less than)	All	11.57	4.26	6.90	7.4
P	Stakeholder engagement panel (achieve minimum criteria)	All	Achieve	Yes	Yes	Yes
P	Stakeholder engagement panel (score)	All	4.5	6.05	7.05	6.3
Social						
P	Carbon monoxide awareness	All	Increase awareness	Yes	Yes	Yes
Connections						
P	Standard quotes (6 working days) (percentage)	E&R	90%	99.70%	99.58%	99.60%
P	Non-standard quotes <= 275KWh/hr (11 working days) (percentage)	E&R	90%	98.74%	98.58%	98.30%
P	Non-standard quotes > 275KWh/hr (20 working days) (percentage)	E&R	90%	98.52%	97.75%	96.50%
P	Accuracy of quotes (number of challenges)	E&R	0	0	0	0
P	Responses to land enquires (5 working days)	E&R/BO	90%	98.72%	99.55%	99.80%
P	Dates for commencement & substantial completion (20 working days)	E&R	90%	99.95%	99.90%	100%
P	Substantial completion within timescales agreed with consumer (percentage)	E&R	90%	94.24%	93.92%	94.60%
P	Introduce new voluntary entry standards	NM/E&R	Voluntary	Yes	Yes	Yes

The eight year targets and our actual and forecast performance against them is:-

Primary (P) secondary (S)	Output Description	Committee managing	FP 8 year Target	WWU 8 year forecast	2015/16 actual	2014/15 actual	2013/14 actual
Safety							
P	Incidents of risk removed	NM/Repex	98,729	106,600	16,724	24,061	24,971
S	Kms of iron risk removed (Kms)	NM/Repex	2,876	2,876	348.4	390.5	359.5
S	Fractures (number)	NM/Repex	8,529	7,593	519	616	581
S	Gas in buildings (number)	NM/Repex	550	550	46	45	38
S	Metallic service replacement (number)	NM/Repex	201,675	201,675	21,642	23,513	22,854
Reliability							
P	Planned interruptions (number)	NM/Repex/ E&R	451,235	415,000	45,173	55,623	53,085
S	Unplanned interruptions (number)	Repex/ E&R	90,169	78,200	8,953 ⁵	8,964*	9,478
S	Planned interruption duration (million minutes)	NM/Repex/ E&R	92.05	91.80	10.38	13.68	13.08
S	Unplanned interruption duration (million minutes)	NM/E&R	45.08	43.80	3.97	4.29 ⁶	6.12 ⁷
P	Asset health & risk	NM	TBC	TBC	TBC	TBC	TBC
P	Holder demolition (number)	NM	7-8	10	1	7	2
Environment							
P	Shrinkage gas volumes (GWh)	NM/Repex/ E&R	381 ⁸	363	381	395	417 ⁹
P	Leakage gas volumes (GWh)	NM/Repex/ E&R	357 ¹⁰	342	363	376	398
P	Network methane emissions (tonnes)	NM	NA	NA	19,887	21,288	22,209
P	Sites remediated (number)	NM	86	86	21	30	31
Social							
P	Fuel poor connections (number)	E&R	10,800 ¹¹	12,590	1,559	1,661	2,632

⁵ Figures exclude the impact of 3 significant supply loss incidents – Cannington/Nether Stowey, Heol y Cyw & Greoslon – all in excess of 250 properties

⁶ Figures exclude the impact of two water ingress events in the year as both events involved in excess of 250 properties.

These were at Bryn & Nantyllo; in total there were 1,098 interruptions with a total duration of 5.1m minutes,

⁷ Figures includes the impact of interruptions at Dawlish as the result of severe bad weather & storms where the coastal railway was washed away and our pipe exposed, we were unable to repair our pipeline until the railway work had been completed, resulting in some 1m interruption minutes, as the event involved less than 250 properties.

⁸ Baseline FP 8 year target adjusted post Final Proposals (move from model LRMMv1.3 to LRMMv1.4) reducing volumes.

⁹ Updated to v1.4 of the leakage model as agreed with Ofgem Autumn 2015

¹⁰ Baseline FP 8 year target adjusted post Final Proposals (move from model LRMMv1.3 to LRMMv1.4) reducing volumes.

¹¹ This is the original FP target, subsequently adjusted to 12,590

Our key achievements in the regulatory year 2015/16, by output category, are:

3.2. Safety

We have met and exceeded all our safety outputs; and are on target to meet our 8 year output commitments.

We have:

- ✓ **Outperformed the one and two hour emergency response targets** of 97%; **one of only three GDNs** to have achieved this every year since formation in 2005.
- ✓ **Two Lost Time Injuries (LTI)** to direct and **no LTI** to contract labour in the year, giving a LTI rate of 0.04 LTIs per 100,000 hours, against a recognised “world class” performance of 0.5.
- ✓ **Outperformed our risk reduction target** for the year $16,724 \times 10^{-6}$ incidents (explosions at property) prevented vs a target of $12,341 \times 10^{-6}$ (2014/15: $24,061 \times 10^{-6}$ vs. $12,341 \times 10^{-6}$ incident of risk removed).
- ✓ **Continue to achieve our target for decommissioning iron mains**; 348.4km in year leaving us over 20km ahead of target in RIIO-GD1.
- ✓ Completed over 79% of high risk escapes within 12 hours of notification (2014/15: over 70%) and almost 55% completed within 48 hours (2014/15: almost 50%). We have **set ourselves more stringent targets** for managing high risk gas escapes and have been complemented by the HSE for our risk based approach.
- ✓ **Outperformed our repair risk duration** by a considerable margin; 11.57 vs a target of 24.18 million risk points (2014/15: 18.63 vs. 24.18 million risk points), once again aided by a mild winter.
- ✓ 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 Award**’ in 2016 for excellent occupational safety for the third consecutive year.
- ✓ **IGEM safety award winner** for 2016.
- ✓ Once again complied with our updated safety case that outlined our eight year strategy for Totex management of our infrastructure assets.

- ✓ **Theft of Gas** – continued to reduce the number of shipperless and unregistered sites and working across the industry to address remaining sites. During 2015/16 we **collected £497k** (inc VAT); more than any other GDN.
- ✓ **Responded effectively** to a 3rd party interference damage incident that affected over 1,300 properties. All vulnerable customers were identified and visited within 2 hours of the interruption and offered alternative heating and cooking and Keep Warm packs. All supplies were restored within 24 hours. The feedback from customers was overwhelmingly supportive of our approach.
- ✓ **Responded effectively** to a second incident at Heol y Cyw, where a governor failed just before its scheduled replacement.

3.3. Reliability

We have met and exceeded all our reliability outputs, and are on target to meet our 8 year output commitments.

We have:

- ✓ Interrupted customers less than anticipated; and are
- ✓ **The lead network** in terms of number and **duration of planned interruptions**. Our average planned interruption duration has improved by 7% and was already **2.5hrs better** than the next closest GDN *and* the industry average for the latest available comparison year, as demonstrated in the table below:

Average planned interruption times (minutes)	2015/16 ¹²	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Wales & West	229	246	246	240	229	205	184	246
Northern		528	518	896	919	541	396	428
Scotland		389	536	566	472	410	426	363
East of England		374	404	364	433	510	463	457
Southern		389	536	566	472	410	426	363
North West		393	399	432	441	422	538	541
West Midlands		468	418	441	439	482	573	560
London		401	532	610	610	620	816	568
Average		399	441	494	597	449	469	417

- ✓ Maintained our **100% capacity availability** for all our contracted loads for the third year running and have maintained supplies over the peak winter period.
- ✓ Maintained our **network records to the highest standards**, with 98.3% (2014/15: 97.7%) of our records digitised within 30 days against the latest reported industry average of 79% in 2014/15 (2013/14: 72%).

¹² 2015/16 comparative data won't be available until post 31 July 2016
 RIO-GD1 Year three report 2015/16

- ✓ **An upper quartile company** in terms of **duration of unplanned interruptions**. Our average unplanned interruption duration is almost 14 hours better than the industry average for the latest available comparison year, as demonstrated in the table below:

Average unplanned interruption times (minutes)	2015/16 ¹³	2014/15	2013/14
Wales & West	448	481	646
Northern		320	421
Scotland		814	628
East of England		1,160	865
Southern		1,189	727
North West		612	866
West Midlands		1,146	864
London		4,755	2,474
Average		1,310	828

¹³ 2015/16 comparative data won't be available until post 31 July 2016
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3.4. Environment

We have met and exceeded all our reliability outputs, and are on target to meet our 8 year output commitments.

- ✓ **We have considered the long-term investment options for our gas network**, working to look at technical and other factors relating to a real and typical community - the town of Bridgend in South Wales. We investigated the alternative energy sources it's anticipated people could use, the likely impact on carbon emissions, affordability and the willingness of consumers to switch to them. We considered people's priorities and what incentives would be required to change the way they manage their electricity and gas usage, to reduce the average carbon footprints of households and workplaces. This model is also being applied to the energy needs of Cornwall.
- ✓ **Environmental emissions** - further reduced the shrinkage gas lost through our system by 4% (2014/15: 5%) during this third year. We expect to **outperform our target** of a 5% reduction over the eight year period to 2021. We continually challenge to optimise system pressures for each of the 600 sub networks across Wales & West Utilities. Our system control staff, asset managers and operational teams work collectively to focus on continued improvement.
- ✓ **Reduced environmental emissions** to 363GWh against a target of 395GWh (2014/15: 376GWh against a target of 403GWh).
- ✓ **Distributed gas connections** – recently completed **our twelfth Biomethane network connection**. We have a **further five live enquiries** that we are currently pursuing with biomethane producers.
- ✓ **Holder demolition** - exceeded our programme for this eight year control period and **six years early** - improving the environment earlier in the control (completed ten against an eight year target of seven to eight).
- ✓ Won the Business in the Community Wales, **Responsible large business of the year award in 2016**.
- ✓ **Outstanding contribution to the gas industry award 2016** from IGEM to our Director of Regulation & Commercial for his role in driving forward gas as a sustainable part of the UK's energy future.

3.5. Customer service

We have met and exceeded all our customer service outputs, and are on target to meet our 8 year output commitments.

We have:

- ✓ Maintained an average score in excess of 9 out of 10 from 8,922 customer surveys; testament to our **absolute focus in delivering excellence to our customers**. We have held the **top spot on customer satisfaction** for five of the last eight years
- ✓ Established a Customer Steering Group to focus on improving our customers experience when dealing with us. This group contains four of our Executives, who engage with everyone across our business to deliver improvements that will benefit our customers.
- ✓ Won the prestigious IGEN **Customer Service Award** again in 2016. The IGEN Award was our **sixth win in the last eight years** and we're very proud of our record in delivering industry leading customer service.
- ✓ A member of our Customer Service team won "**Customer Service Representative of the Year**" in the 2016 Welsh Contact Centre Awards. Our second winner in the last 3 years.

Customer satisfaction	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Wales & West	9.05	9.04	8.69	8.59	8.47	8.17	8.13	7.94
Northern	9.17	9.01	8.75	8.23	8.13	7.24	7.75	7.40
Scotland	9.14	8.79	8.72	8.62	8.32	8.10	7.98	7.81
East of England	8.53	8.35	8.31	8.17	8.29	7.88	7.69	7.59
Southern	8.83	8.64	8.56	8.32	7.96	7.76	7.76	7.63
North West	8.67	8.46	8.31	8.12	8.12	7.72	7.57	7.42
West Midlands	8.27	8.32	8.18	7.80	7.91	7.71	7.60	7.46
London	7.96	7.78	7.78	7.70	7.74	7.28	7.16	6.82
Average	8.70	8.55	8.41	8.19	8.12	7.73	7.71	7.51

- ✓ Institute of Customer Service **ServiceMark accreditation** - This year WWU conducted midpoint surveys for both employees (measuring the internal customer focused culture) and external customers (measuring customer satisfaction) to benchmark our performance beyond the utilities sector. We improved our scores in both surveys from the previous year but most notably we scored 91.8/100 for our external customer survey. For this we were

awarded the “**Distinction**” status from the Institute and are **one of only 5 out of 500+ members to have this status**. Graham Edwards, our Chief Executive, is now a Vice President of the Institute.



NGN has recently achieved an ICS score of 85/100.

Supporting those most in need

- ✓ Utilised our face to face contact with customers to **increase** Priority Services Register (PSR) registration via three month trial in May 2015.
- ✓ Extended the trial, to permanently collect the data for PSR registration and to also share this information with gas suppliers, meaning that these customers would be added to all energy PSR's, from one point of contact; **the only GDN** to offer this service to their customers. So far **850 vulnerable customers** have taken advantage of the registration process.
- ✓ We utilised an existing **smart phone application** used by our field staff to measure customer satisfaction internally, to include new screens for vulnerable customers to provide consent to share data with the Distribution Network Operators and their gas and electricity suppliers.

Complaints

- ✓ Achieved a significant improvement on prior years. Almost 70% of all complaints are resolved within one day.
- ✓ **No Ombudsman cases** ruled against us for each of the last five years.
- ✓ The **least number of cases** taken up for review by the Ombudsman of any GDN:

Ombudsman cases	2015/16	2014/15	2013/14
Wales & West	3	1	3
Northern	4	2	2
SGN	8	13	18
NGG	113	87	77
Average per GDN	16	13	13

- ✓ **Shortest customer interruption time** for Repex work of all eight networks, minimising disruption to consumers and keeping gas available for longer.

Supporting our people

- ✓ Delivered a comprehensive customer training plan which uses a variety of methods to help colleagues learn how to improve their customer service. These range from emotional intelligence training to support Vulnerable Customers, to arts based training for our front line staff as well as internal customer service training. These products work together to support our focus on driving outstanding service and putting our customers first.
- ✓ Introduced an innovative competition which encourages colleagues to share best practice and work together to get the best outcomes for our customers.

Listening to our customers, and as a result:

- ✓ Maximising the use of live insertion; thereby only interrupting the consumers gas supply once, minimising disruption and the time the consumer needs to take off work.
- ✓ Improving our communications with consumers; before, during and after the Repex work.
- ✓ Clearing site promptly and efficiently on completion of work to a good standard.
- ✓ Incentivising the workforce appropriately to ensure delivery of the above.

During 2015/16 we further refined our Stakeholder Engagement Strategy following a thorough review of best practice from inside and outside of our industry. In July 2016, the Independent Stakeholder Panel scored us 6.05 out of 10. We were disappointed with this outcome as it is a reduction on last year's score of 7.10.

Our focus is to build on this performance and further improve our stakeholder engagement activities. We await the detailed feedback from the Stakeholder Panel to understand their view of the further improvements we can make.

3.6. Social

We have met and exceeded all our social outputs, and are on target to meet our 8 year output commitments.

- ✓ During the year we submitted a revised forecast to Ofgem for the number of fuel poor connections across RIIO-GD1 based upon the revised eligibility criteria that comes into effect from 1 April 2016. This saw our output commitment rise by 17% from 10,800 to 12,590 connections across the eight years of RIIO-GD1. Saving each family on average some £450 per annum on fuel bills.
- ✓ We connected 1,559 fuel poor homes in 2015/16 and over the first three years of RIIO-GD1 we've connected 5,852 homes. In line with our increased forecast profile agreed with Ofgem.
- ✓ We expect the number of fuel poor connections to drop to around 1,400 in 2016/17 as the new criteria introduced by Ofgem results in fewer eligible schemes for social landlords.
- ✓ New website. Following review and feedback from our stakeholders we have implemented a new digital media strategy including a refreshed external website. Our site has gained the much valued "Shaw trust" mark to ensure it is accessible by those who may be in most need.
- ✓ Increased awareness of the dangers of carbon monoxide and distributed over 5,200 Carbon Monoxide alarms during the year.
- ✓ Reaccredited with The Business In the Community Wales "Building Stronger Communities" Award in 2015 and again in 2016. This has recognised the innovative ways we involve our community to increase the awareness of CO.
- ✓ Increased our hardship fund to help vulnerable customers who have difficulty with follow on work required after our visit.
- ✓ Delivered 1,500 "Keep Warm" packs to vulnerable customers across our network who were off gas for more than four hours.

3.7. Connections

We have met and exceeded all our connections outputs, and are on target to meet our 8 year output commitments.

- ✓ Met or exceeded all guaranteed standards of performance.
- ✓ We experienced an increase in the number of quotation requests of 8% compared to the previous year.
- ✓ We reduced our average time for providing a desktop quotation or a quotation requiring a customer survey by 2 days during the year (from 4 days to 2 days).
- ✓ We achieved an overall Customer Satisfaction survey score of 8.9 for the year down slightly from 9.01 in 2014/15. We have again performed well against GSoP increasing our percentage of jobs issued within standard and reducing our liability payments for quotations by 30%.
- ✓ We had an increase in our workload on new housing developments compared to the previous year with 260 additional connections and 1.3km of additional mains.
- ✓ Our Warm Homes Assistance scheme funded connections to 1,559 homes. This included a large infill scheme in Treuddyn, Flintshire with 11km of new mains and 120 connections.
- ✓ Made mains **gas available to a further 11,640 families, reducing** their fuel bills by an **average of some £450 per annum**.
- ✓ Further **reduced our average connection lead times** for customers by three days; from 19 days to 16 days. This is on top of a five day reduction in 2014/15 from a lead time of 24 days.
- ✓ Made 1,559 Warm Homes Assistance Scheme funded connections. In our recent response to workload forecasts to Ofgem we increased our forecast to from 10,800 to 12,590 connections by the end of RIIO-GD1.
- ✓ We continue to play a lead role in influencing policy such as the £25m DECC central heating fund for new central heating systems and the DECC off gas property data mapping through the Off Gas Grid Working Group under the fuel poor advisory group.

3.8. Innovation

We have met and exceeded all our innovation outputs, and are on target to meet our 8 year output commitments.

- ✓ We continue to improve our approach to innovation, we balance solving today's problems and planning for the future of the sector. Our portfolio continues to have a range of technological innovation and future role of gas exploration.
- ✓ Our collaborative project with all the other GDNs and The University of Manchester was awarded 'Best University Technology' at the EIC UK Energy Innovation awards for our Acoustek project.
- ✓ We maximise our innovation activities through collaboration. In order to ensure we do not duplicate effort we collaborate with the industry to share best practice and develop a common approach where possible. In 2016 WWU chairs the innovation industry working group. We are using this position to encourage more collaborative working.
- ✓ We assessed 151 ideas in 2015/16. From this assessment we are taking forward 18 new projects and adding them to our existing portfolio of 15 live projects; overall we had a portfolio of 33 NIA projects. We collaborated on 22 of these projects with at least one other GDN and we were the project lead for 7 of them. We end the regulatory year with 14 of the 33 projects in a completed status and have carry over 19 live projects into the 2016/17 regulatory year.

3.9. Improving our systems & processes

Since we started operations in 2005, we have been continually trying to optimise and improve our systems and processes to drive performance. This year has been no different.

- ✓ **Business process improvement** - Further improving the customer experience by investing in new technology and streamlining our processes is high on our priority list. We're reviewing the way we operate; from how we create work, through to how it's planned and scheduled, to make sure that we get it right first time and to drive even more efficiency through our processes.

Harnessing new technology throughout our systems and processes is a key enabler to ensure that we meet our business priorities utilising in day and real time information. To help achieve this we've developed a business review programme; "Project Fusion", which is reviewing and streamlining business processes, making us more agile and ensuring that we continue to deliver high levels of performance and value for money well into the future.

- ✓ **Business MI: Insight** - Near "real-time" information is now available for over 400 of our managers and supervisors to support the key decisions they make every single day. With the touch of a tablet button whilst they're out in the field, they know exactly how each customer rates the service provided by individual team members meaning they can target improvement areas on the same day.

Amongst other things, managers also have increased visibility of their efficiency and environmental performance; whether that's the time it takes to dig a hole, or the size of it and hence the waste they're sending to landfill or for recycling. We want everyone to take responsibility for delivering the best value possible for both current and future customers. This data can be interrogated by outcome, region, manager, date and includes root cause analysis to get to the core of any performance issues.

Insight has been accessed over 35,000 times in a year and overall we believe that managers are saving anything from 1-5 hours per week; a great result for all stakeholders.

- ✓ **Smart Apps**
 - To capture timely and specific **customer feedback**, for our satisfaction surveys our first call operatives utilise an app on their smart phones. The app encourages our representatives to have conversations with customers throughout the visit. This has been so successful for our emergency and connections work we are now rolling it out for planned work We received well over 100,000 survey responses from customers this year.
 - In 2015/16 we embedded a number of mobile applications focusing on **directly capturing data** from the field force that was deployed in 2015/16. The apps ensure data quality in a timely and cost effective way. We

developed apps for the recording of new service data, test data, reinstatement requests and purge & relight requests, these apps are providing us with greater levels of business intelligence to inform decision making. We are currently completing apps for mains testing and recording for delivery in 2016/17.

- ✓ **Communication improvements** - stakeholders said our communication could be better. In response we have taken a number of actions:
 - Firstly redesigned our website to make information more accessible and customer focused. Our website is accredited by the Shaw Trust which is a rigorous process to ensure that it is accessible for customers with disabilities.
 - We have also updated and refreshed our communication before, during and after emergency visits, replacement activities and connections work. Our messaging and visual content is eye catching and consistent, which makes things easier for customers, and we are already seeing a positive impact in our customer feedback.
- ✓ We have revisited our social media strategy and invested in training for our Customer and Communications teams so that they can appropriately use social media to respond to and communicate with customers.
- ✓ **Site Tidiness** – Rolled out a campaign to keep our work sites tidy by displaying signs on our barriers, asking and incentivising members of the public to send in a score out of 10 for the tidiness of our work sites.
- ✓ **Accountability** – Set up a Customer Steering Group consisting of 4 Directors (responsible for the majority of staff and contractors in the business) who meet monthly to monitor performance, identify and help implement areas of best practice and act on customer feedback to improve the customer experience.
- ✓ **Staff Development** – Delivered Arts Based Training to our operational workforce to improve listening and communication skills, creating great first impressions and dealing with difficult situations

3.10. Incidents

Unfortunately, but inevitably, we do suffer a small number of incidents on our gas distribution network. Our job is to manage such incidents as effectively and efficiently as we can.

An example of us dealing with one such incident, near Bridgwater in Somerset, and the reaction of the public is set out below to illustrate our approach:

Late morning on the 3 March 2016 WWU was called to an extensively damaged six inch medium pressure (MP) main, caused by a farmer working with a mechanical excavator on land on the outskirts of Bridgwater.

The damage immediately caused a loss of supply to some 600 homes in the village of Nether Stowey and put at risk supplies to the slightly larger village of Cannington, with some 700 homes. The two villages are about 6 miles apart.

Driven by our customers' expectations – that we would get the situation resolved, and get them back on gas as soon as possible, we took the decision to isolate the village of Cannington ourselves; resulting in the loss of gas supply to some 1,300 homes in the two villages. Local knowledge indicated we were likely to lose gas supply to the village given the damage to the main during the evening peak gas demand in any event.

This enabled us to turn off our MP main locally, making it much easier and quicker to repair the damage to our main and avoiding the need to locate, transport and utilise specialist flow stop equipment.

By implementing our “emergency response plan” we were able to quickly mobilise a significant workforce to the area from our Emergency & Metering Services (EMS) team who were ready to meet the challenge of purging and relighting each property individually.

Whilst our Build & Repair (B&R) teams repaired our damaged main, the EMS resources were being assigned to meet the resultant significant demand to isolate supplies and then purge and relight them later. They also ensured that customers most in need had alternative cooking and heating facilities.

By late afternoon, we had repaired and recommissioned our MP main, and restored supplies to the 35 or so homes and businesses in the area that had MP connections.

We recommissioned and purged our Low Pressure mains in both Cannington and Nether Stowey through the evening, and just before 21:00 our EMS staff went out again – this time going door to door to turn customer gas supplies and their appliances safely back on.

Half of the supply loss area was recommissioned by the end of the first day with all properties fully restored, or visited, within 24 hours of the start of the incident.

Two Operational centres were established; a pub in Cannington and a village hall in Nether Stowey. It was important to gain the trust and understanding of the local community to expedite the process.

The response from members of the public was overwhelmingly very positive and a sample of social media comments is as follows:

"Thank you to all concerned for the prompt efficient and helpful way this has been dealt with. Nether Stowey has been buzzing since early on with blokes turning supplies back on"

"Fair play to them it's a big job and we all appreciate how hard they are working to sort it"

"Customer Service is excellent, well done for a difficult job"

"Our gas back on. Well done WWU very polite and helpful workmen visiting homes and explaining the situation, obviously dealing with the cause of the problem and returning so quickly to get our gas supplies back on, excellent job, very thorough and efficient"

"I wanted to say thank you to everyone at WW Utilities for their help in Cannington today. You are all doing a sterling job of looking after us while repairing the pipe. I only hope the people of Cannington and Nether Stowey have been kind in response to hearing the news that we are without gas. I've been really impressed by the care offered to us and the heater and hob we've been given. Well done and please pass my thanks on the engineers working hard to restore our supplies"

"Thank you. You are wonderful people"

"We lost our gas supply today and the assistance we got was amazing ! Well done to all the men that were out and about till who knows what time sorting out our heating, you're worth your weight in gold!"

3.11. Totex

- ✓ Delivered our obligations within the forecast we provided last year.
- ✓ We are forecasting further reductions in our eight year Totex spend compared to last year's update.
- ✓ Following assessment by DECC, six of WWU's sites were categorised as critical to the UK national infrastructure, as such WWU is obliged to upgrade both its business security policies and the physical security arrangements for those sites. The overall estimate of costs is £16.5m (in outturn prices, £15.8m in 2015/16 prices) and would be subject to a reopener application in 2018.

3.12. Awards & recognition



3.13. Weather

15 of the 16 warmest years on record have occurred since 2001.

Weather forecasters warned of the severest winter for years due to the effects of an El Nino in the pacific, giving the UK its heaviest snowfall since 1950 and therefore we put our winter plans in place

However, the winter of 2015/16 proved to be one of the wettest and mildest for some years:

- ✓ average rainfall in our operational area was 51% up on Met Office averages, and
- ✓ the mean temperature for the winter period was 2.3°C warmer than expected.

The volume of Public Reported gas Escapes (PRE's) has a correlation to weather conditions with "wet and windy" weather reducing the number of reports by the public. The prevailing damp conditions resulted in a 6% drop in total PRE's against the previous winter and a 13% drop in external network related reports for the same period.

This generally mild & favourable weather should be taken into consideration when assessing our performance for the year.

3.14. Future reporting of Outputs

Within the RIIO-GD1 Final Proposals Outputs document, Ofgem requested further discussion on the appropriateness of some output targets where history was neither available nor consistent between the GDNs. The first two years reports have provided a useful review of outputs, and whilst in a small number of cases equivalent data may not be available (e.g. repair risk duration) the treatment of these in the report and the comparison of outputs achieved against target appears to give stakeholders a good review of performance.

We are pleased to note significant progress has been made to finalise the health and risk reporting requirements for the RIIO-GD1 period. We (all GDNs and Ofgem) have collectively worked through a number of complex issues and in this third year of RIIO-GD1 we have consulted on a monetised risk methodology that has been broadly accepted.

This year we report for the first time using this methodology, which we believe is an excellent metric for assessing the value of investment in infrastructure assets, comparing across GDNs and justifying our future plans. 2015/16 is a dry run with further validation required in 2016/17. We have, and continue to, invest significant resources, including external subject experts, to ensure we deliver industry leading health and reporting metrics for our customers.

We also contributed to the review of the interruptions outputs referred to in Ofgem's RIIO-GD1 Year Two report. We are in full agreement that the current output measures do not allow for comparative analysis across the GDNs and in some cases have the potential to drive unintended consequences. We strongly believe that the customer experience must be at the forefront of any change to this output and we continue to work with Ofgem and the other GDNs to deliver an updated output that drives improved customer outcomes and enables appropriate benchmarking across GDNs.

We firmly believe that the right measures should reflect the impact of our activities on the gas consumer, and therefore the average number and duration of interruptions, per connection are the important metrics. Number of interruptions can be influenced by technique in Repex works: live insertion (one interruption per property) versus either dead insertion or open cut (usually two interruptions per property) and average interruption duration can be influenced by the efficiency of the workforce.

Further consideration of the right measures is required to ensure the gas consumer is adequately protected from the unintended consequence of choosing the wrong metrics to measure.

4. Customer bill impact and overall revenue

Our performance has been achieved in the context of continuing value for money for our customers and stakeholders. From April 2014, the charges we apply will be below the level levied in the first year of this price control period.

4.1. Customer bill impact

Ofgem presented us as the gas distribution network with the smallest customer bill impact for 2015/16 at a value of £120.55 (in 2015/16 prices ~ £119.15 as published by Ofgem in 2014/15 prices) per customer in its year two RIIO-GD1 annual report, issued in 2016. This represents the charge to the average typical domestic customer¹⁴ within the Wales & West Network.

For ease of comparison the Ofgem published table has been amended to reflect 2015/16 prices below.

AVERAGE BILL (2015/16 PRICES)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
EE	126.93	122.64	122.33	114.15	116.23	117.86	115.34	113.30
LO	147.20	143.08	151.12	143.96	136.44	142.47	137.85	135.16
NW	133.00	124.56	126.97	124.20	115.78	121.02	119.96	117.86
WM	131.86	130.52	125.36	121.16	120.59	124.36	122.82	120.32
SC	133.91	134.85	124.66	134.46	124.49	126.86	126.34	125.36
SO	148.19	141.88	137.57	137.93	133.52	138.16	134.11	132.33
NGN	129.76	132.66	134.39	127.25	124.55	124.00	125.24	125.28
WWU	127.48	126.28	120.55	122.45	126.34	126.04	125.09	122.50
Average	133.74	130.49	129.01	126.35	123.38	126.22	124.27	122.44

Extract from Ofgem's year 2 RIIO-GD1 Annual Report (page 16 table 2.3) updated to 2015/16 prices

We continue to forecast a 4% reduction in customer bills over the 8 year RIIO-GD1 price control period (in constant prices) reflecting the value being delivered through our cost efficiency programmes.

As a network we have worked hard to make our charges transparent and clear to the consumer, including:

- ✓ Publishing in our 'Moving Forward Together' annual stakeholder report the average customer bill.

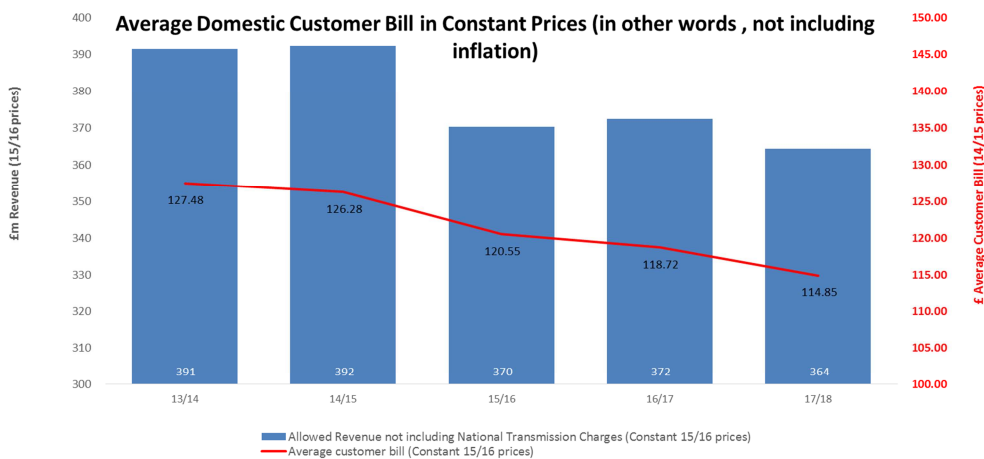
¹⁴ For 2015/16 this would be a customer with a consumption of 12,589KWh.
RIIO-GD1 Year three report 2015/16

- ✓ Presenting through the revised timetable for MOD186 and Distribution Charging Managers Forum (DCMF) an updated view of both allowed revenue and its effect on the average customer each quarter, and
- ✓ Publishing our prices annually, with an indicative notice five months before any change.

For end users to realise the savings from our achievements, shippers must pass on the reductions in charges they receive from the gas distribution businesses to consumers.

4.2. Allowed revenue

To collect the 2015/16 allowed Transportation revenue (excluding Exit Capacity) of £370m WWU decreased its prices in nominal terms by 0.9%.



The reduction in allowances for 2015/16 compared with 2014/15 reflects both the over recovery in 2013/14 and a £9.4m MODt adjustment including the give back to the consumer their share of our Totex outperformance under the sharing mechanism.

Incentive payments and cost true up in respect of the 2015/16 year take effect in the regulatory year 2017/18 (T+2) where forecast allowed revenue is £382m (£364m in 2015/16 prices). This includes:

- forecast incentive income of £5.7m,
- the give back to the consumer for gas shrinkage costs which are reduced due to outperformance against the Final Proposal allowances, and
- the lower average gas price currently in the UK market.

£m (nominal)	Actual 2013/14	Actual 2014/15	Actual 2015/16	Forecast 2016/17	Forecast 2017/18
Core Allowed (2009/10 prices)	321.4	317.0	312.0	312.9	324.3
MODt through PCFM	-	(0.1)	(9.4)	(7.2)	(17.5)
RPI uplift to nominal	52.4	65.0	70.0	65.4	70.9
Total base allowance (nominal)	373.8	381.9	372.6	371.1	377.7
Shrinkage Incentive (SHRRt)	-	-	0.3	0.4	0.5
Exit Capacity Incentive (Eit)	-	-	0.4	0.4	0.5
Broad Measure Incentive (BMT)	-	-	2.8	3.3	2.4
Emissions Incentive (EEIt)	-	-	0.7	1.5	2.3
Discretionary Reward Scheme (DRSt)	1.2	1.4	-	1.0	-
Network Innovation Allowance (NIAt)	0.4	1.4	0.9	1.5	1.7
Shrinkage Cost reduction	-	-	(1.1)	(4.4)	(6.1)
Pass through	-	-	-	0.2	2.7
K brought forward	(2.3)	-	(6.3)	1.4	(6.0)
Total Allowed Revenue	373.1	384.7	370.3	376.4	375.7
Movement in allowed revenue	-	3.1%	(3.7)%	1.6%	(0.2)%

Allowed Transportation Revenue (exc Exit Capacity) 2013/14 to 2017/18

The actual 2013/14 and 2014/15 Allowed Revenues (excluding Exit Capacity) contain minimal adjustments to the base RIIO-GD1 Final Proposal Allowed Revenues. The only changes between 2013/14 and 2014/15 reflect RPI and an increase in investment in innovation.

2015/16 allowed revenue was the first to be impacted by the “T+2” adjustments, representing the performance and cost outturn in 2013/14. This includes a reduction through cost adjustments of £9.4m, reduction through “k” of £6.3m (due to a lower AQ (annual quantities) reduction in 2013/14 than forecasted at price setting) and a 1% increase (£5.1m) from incentives.

2016/17 allowed revenue includes £8.1m of incentive and innovation income. This includes the reward for Stakeholder Engagement where WWU received the highest score of all the gas distribution networks. Consequently transportation prices increased in 2016/17 by 2.7% in real terms compared to 2015/16, after taking into account assumed reductions in connected capacity.

The forecast 2017/18 Allowed Revenue shows a 0.2% nominal decrease compared to 2016/17. The main factors influencing the change are RPI, over collection of allowed revenue in 2015/16, lower shrinkage costs in 2015/16 than at final proposals and the give back to the consumer through MOD_t.

These increases are less than RPI.

4.3. NTS Exit Capacity revenue and charges

Since 1 October 2012 National Grid Transmission (NGT) has invoiced the Gas Distribution Networks (GDNs) for booked NTS Exit Capacity and the GDNs recover these costs from the shippers. Previously National Grid Transmission invoiced the Shippers directly. Ofgem set allowances for the GDNs to recover expected costs associated with NTS Exit Capacity charges as part of RIIO-GD1.

As a result, WWU incurs the cost for NTS Exit Capacity at each of its 17 offtakes across Wales and the South West of England and recovers these costs through Exit Capacity charges to the Shippers. This recovery occurs through the setting of prices to achieve allowances which adjusts for any under/over collection in T-2 and any variance between the forecast cost advised by NGT and the actual charges received.

In 2015/16 WWU reduced its Exit Capacity charges by 22.9%, after taking into account assumed reductions in connected capacity. This reduction arose from actual exit capacity charges incurred being less than allowance in 2013/14 by £6.9m (in 2015/16 prices) plus a small over recovery against allowances in 2013/14.

£m Nominal	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Base allowance	23.0	23.1	23.1	23.1	23.1	23.1	23.1	23.1
RPI	3.8	4.7	5.2	5.4	5.9	6.9	7.8	8.7
Inflated base allowance	26.8	27.8	28.3	28.5	29.0	30.0	30.9	31.8
Cost True Up	-	-	(6.9)	(5.0)	(4.9)	5.3	16.5	14.9
Collection True up	0.2	-	(0.3)	(0.1)	(0.2)	(0.2)	-	-
Allowance for Year	27.0	27.8	21.1	23.4	23.9	35.1	47.4	46.7

The 2015/16 allowance for NTS Exit Capacity costs was also slightly above the actual costs received in the year (Allowance: £23.0m and costs £20.8m in 2009/10 prices). This results in a £4.9m reduction in allowed income in 2017/18.

From the most recent forecast received from NTS for Exit Capacity costs, for 2018/19 onwards, this trend is expected to reverse. Whilst allowances have historically been set slightly above the costs incurred, the latest prices to be effective October 2016 and forecast thereafter are for costs to far exceed the allowance set at Final Proposals.

We are the only GDN to attend the NTS Charging Forums in 2015/16, raising concerns over the current and future potential volatility of these charges.

The divergence peaks in 2017/18 where costs will exceed allowances by £20.5m (Allowance: £23.0m and costs £43.5m).

The WWU licence permits the amendment of allowed exit capacity costs in T-2. As these higher costs were not forecast in T-2 WWU currently funds the increase for two years. After two years the consumer will face higher bills as the under recovery in year T is added to the allowance in T+2.

WWU currently intends to request adjustment to its allowed cost from 2018/19 onward therefore the allowed revenue from 2018/19 may be higher than that included above.

4.4. Theft of Gas

WWU has a licence obligation to investigate suspected theft of gas. These investigations seek to firstly make safe any alterations to the network and secondly to recover the suspected loss from the responsible party.

We collect this money to benefit the network as a whole. As a result of gas theft, those users who are registered and pay their bills will have incurred higher charges. We return this money to users through a lower allowed revenue charge.

During 2015/16 we collected £497k from confirmed theft of gas cases.

Consequently we will pass through the benefits of this collection (net of directly attributable costs of collection) to shippers in 2017/18, which will reduce the overall transportation element of the customer bill, provided the saving is passed on by Shippers.

This activity therefore results in WWU being no better or worse off from investigating and recovering theft of gas cases but will result in the end consumer benefiting from lower bills in future years.

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5. Innovation

The NIA allowance allows funding of up to £2.0m (2014/15: £2.0m) for investment into approved innovation projects. We invested £1.1m (2014/15: £1.5m) on the 33 (2014/15: 22) NIA projects reflecting an increase in project volume with a lower average cost per project.

Expressing this in relative terms, the cost to consumers equates to just 40p (2014/15: 60p) of their annual bill, and our goal is to ensure customers get at least this value back before the end of RIIO-GD1.

Our annual “Network Innovation Allowance Activity Summary” which details how we, and our innovation partners, have used the third year NIA, is available on our website¹⁵. The key headlines are:

- ✓ We took part in 33 innovation projects (up on the 22 last year). 22 (2014/15: 17) of these projects have been worked on collaboratively with one or more of the other Network Licensees. We were the lead GDN on 7 (2014/15: five) of these projects.
- ✓ These projects support to deliver our key priorities:
 - 11 projects Demanding Safety Always,
 - 10 projects Driving Outstanding Service,
 - 14 projects Delivering Value for money,
 - 18 projects Providing a Reliable Gas supply & Promote Sustainability, and
 - 15 projects Designing for our Future.

Some examples of how we have achieved this are outlined below:

- ✓ Driving Outstanding Service
 - Our cross sector collaboration project, Futurewave, continues into its third and final phase to develop an online energy option comparison platform. The purpose is to help people make choices between energy sources e.g. gas, electricity or oil. It also acts as a funding and development hub to help match innovative ideas with investment backing. WWU led the second project phase and delivered a digital prototype and demonstrated the business case for the platform. Phase 3 will pilot the platform with real users to obtain valuable user experience to prove or improve the final product.
- ✓ Doing all we can to produce a reliable gas supply

¹⁵ Website address: wwutilities.co.uk
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- Project Blackout is researching, developing and testing an innovative solution to control the flow of gas remotely during a fault situation at our offtake stations. The solution will send an automated gas flow profile to a site that will maintain the ideal flow of gas and reduce the need to send resources to site immediately. Leading to enhancement of system resilience that is fully transferable for all UK gas networks.
- ✓ Designing for our Future
- Bridgend Future Modelling is a collaboration project with an Small to Medium size enterprise company called 'Business Navigators' that helped us to discover what a future energy network, that could address the energy trilemma, would look like. They achieved this by completing a series of case studies on a typical town in South Wales. The study analysed the challenge technically as well as assessing customer ability and willingness to pay and ultimately gave us evidence on which to base future investment decisions.

As well as fostering new innovation we are working hard to embed innovation projects completed in previous years. An example is the ductile iron window cutting tool that ultimately reduces the time our customers are off gas during essential maintenance works and thus reduces the level of disruption experienced from our works. This project was completed in 2014/15 and we have been training our operatives to use the tools in 2015/16.

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

We regularly go outside of our organisation to solve problems and develop solutions. One example of how we do this is through our membership with the EIC. We launch calls for innovation to leverage solutions. We have also established some great networks and we exploit these to reach potential partners whether this is through breakfast briefing sessions, exhibition attendance or through the use of social media such as Facebook or Twitter. Furthermore, we have developed a series of animations to promote our challenge areas and make it easier for people to bring ideas to us

6. Graphical overview

Safety	Annual target	2013/14				2014/15				2015/16				8 yr forecast	Ofgem target
		99.5%	99.6%	99.6%	99.6%	98.3%	98.5%	98.5%	98.6%	46.7%	49.5%	52.6%	11.57		
	Emergency response 97% controlled gas escapes	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%
	Emergency response 97% uncontrolled gas escapes	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
	12 hour escape repair requirement	24.18	24.18	24.18	24.18	24.18	24.18	24.18	24.18	24.18	24.18	24.18	24.18	24.18	24.18
	Repair risk	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Major accident prevention	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Iron mains reduction	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Sub-deducts networks off-risk	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	COHMA report reviewed by HSE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Iron mains risk reduction (based on MPPS)	106,600	106,600	106,600	106,600	106,600	106,600	106,600	106,600	106,600	106,600	106,600	106,600	106,600	106,600
	Sub-deducts networks off risk	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876
	Kms of iron mains removed	8,529	8,529	8,529	8,529	8,529	8,529	8,529	8,529	8,529	8,529	8,529	8,529	8,529	8,529
	Fractures (number)	550	550	550	550	550	550	550	550	550	550	550	550	550	550
	Gas in buildings (number)	201,675	201,675	201,675	201,675	201,675	201,675	201,675	201,675	201,675	201,675	201,675	201,675	201,675	201,675
	Metallic service replacement (number)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
		Customer bill impact	2015/16	2020/21	£127.48	-4%	£122.44								

Reliability	Annual target	2013/14				2014/15				2015/16				8 yr forecast	Ofgem target
		0.02%	0.03%	0.02%	0.02%	15.8	5.20	4.54	6.20%	5.70%	5.00%	53,085	35,623		
	Loss of supply	Achieve	Achieve	Achieve	Achieve	Achieve	Achieve	Achieve	Achieve	Achieve	Achieve	Achieve	Achieve	Achieve	Achieve
	Achieving one in twenty obligations	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
	Maintaining operational performance	153	153	153	153	153	153	153	153	153	153	153	153	153	153
	Offtake meter error (percentage)	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%
	Fault/duration measure (now) (hrs)	451,235	451,235	451,235	451,235	451,235	451,235	451,235	451,235	451,235	451,235	451,235	451,235	451,235	451,235
	Fault/duration measure (PSSRA1, A2, other) (%age)	90,169	90,169	90,169	90,169	90,169	90,169	90,169	90,169	90,169	90,169	90,169	90,169	90,169	90,169
	Planned interruptions (number)	92.05	92.05	92.05	92.05	92.05	92.05	92.05	92.05	92.05	92.05	92.05	92.05	92.05	92.05
	Unplanned interruptions (number)	45.08	45.08	45.08	45.08	45.08	45.08	45.08	45.08	45.08	45.08	45.08	45.08	45.08	45.08
	Planned interruptions ~ duration (million minutes)	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC
	Unplanned interruptions duration (million minutes)	10	10	10	10	10	10	10	10	10	10	10	10	10	10
	Asset health & risk	7	7	7	7	7	7	7	7	7	7	7	7	7	7
	Number of holder demolished	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Environmental	Annual target	2013/14				2014/15				2015/16				8 yr forecast	Ofgem target
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
	Leakage gas volumes (GWh)	407	407	407	407	407	407	407	407	407	407	407	407	407	407
	Biomethane connection information	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate
	Shrinkage gas volumes (GWh)	433	433	433	433	433	433	433	433	433	433	433	433	433	433
	Leakage gas volumes (GWh)	342	342	342	342	342	342	342	342	342	342	342	342	342	342
	Network methane emissions	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Number of sites remediated	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC

Customer service	Annual target	2013/14				2014/15				2015/16				8 yr forecast	Ofgem target		
		8.59	8.68	8.72	8.5	9.15	9.44	9.55	9.0	8.34	9.01	8.88	8.4			7.4	6.9
	Planned interruption survey (out of ten)	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5		
	Emergency response & repair survey (out of ten)	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0		
	Connections survey (out of ten)	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4		
	Complaints metric	11.57	11.57	11.57	11.57	11.57	11.57	11.57	11.57	11.57	11.57	11.57	11.57	11.57	11.57		
	Stakeholder engagement (our of ten)	10	10	10	10	10	10	10	10	10	10	10	10	10	10		

Social obligations	Annual target	2013/14				2014/15				2015/16				8 yr forecast	Ofgem target							
		2,632	1,661	1,559	12,590	99.60%	99.58%	99.70%	99.70%	98.30%	98.58%	98.74%	98.74%			96.50%	97.75%	98.52%	98.52%	0	0	0
	Carbon monoxide awareness	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate	Facilitate							
	Fuel poor connections (no.)	12,590	12,590	12,590	12,590	12,590	12,590	12,590	12,590	12,590	12,590	12,590	12,590	12,590	12,590							

Connections	Annual target	2013/14				2014/15				2015/16				8 yr forecast	Ofgem target			
		99.60%	99.58%	99.70%	99.70%	98.30%	98.58%	98.74%	98.74%	96.50%	97.75%	98.52%	98.52%			0	0	0
	Standard quotes (6 working days)	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%			
	Non-standard quotes ≤275KWh/hr (11 working days)	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%			
	Non-standard quotes >275KWh/hr (20 working days)	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%			
	Accuracy of quotes (number of challenges)	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Re-sponses to land enquiries (5 working days)	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%			
	Dates for commencement & substantial completion (20 working days)	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%			
	Substantial completion within timescale agreed with consumer	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%			
	Introduce distributed gas entry standards (KWh connections)	86,125	86,125	86,125	86,125	86,125	86,125	86,125	86,125	86,125	86,125	86,125	86,125	86,125	86,125			

