

# A Statement from Wales & West Utilities Independent Stakeholder Group

The WWU Independent Stakeholder Group (ISG) does not represent any particular groups or individual stakeholders. It comprises of seven people from a range of relevant professions and sectors who have been asked to review the company's business plan from a consumer engagement perspective (except for financial elements, and cyber security).

The ISG acts as an 'informed critical challenger', to help ensure the WWU business plan represents consumer interest; and that the company has effectively engaged with its stakeholders and acted upon their concerns.

The WWU ISG developed from the Customer Engagement Group (CEG) which fulfilled a similar role for RIIO-GD2. There was uncertainty throughout the process as to whether the CEG role would continue beyond RIIO-GD2 business plan submission and be a regulatory requirement for RIIO-GD3. However, WWU opted to continue to engage openly with the CEG, regardless of Ofgem requirements.

The transition from CEG to ISG requirement was confirmed and defined by Ofgem in July 2024. The WWU ISG has clear terms of reference, governance and membership, in accordance with Ofgem business plan guidance. The terms of reference have been published on the [WWU website](#).

The timescale for the business plan development for all gas networks for RIIO-GD3 has been significantly condensed. Disappointingly, this has afforded the ISG far less opportunity for detailed scrutiny as plans have developed. The ISG is also disappointed that comparative gas network company performance information for the RIIO-GD2 period beyond 2022/23 only became available, in limited detail, at a meeting with Ofgem in October 2024.

Net Zero and Future of Energy planning, including the potential role for hydrogen, have been deemed to be outside of the scope of this business planning process by Ofgem, until strategic decisions are made by government. The ISG is concerned about how changes to the UK domestic energy system will impact consumers during the upcoming five-year control period, the next decade and beyond, with particular concern over potential impacts upon vulnerable consumers.

From a gas network perspective, this is compounded by the uncertainty over the potential future role of hydrogen within the wider domestic energy mix; the impacts of any decisions to accelerate depreciation, and the allocation of disconnection costs, on company financing and consumer bills.

The ISG scrutiny of the WWU business plan has been challenged by the timeline imposed by Ofgem. However, as the then CEG was maintained by WWU, it was able to challenge the company during the first two years of the RIIO-GD2 period. The CEG was also able to consider issues of impact for consumers including ongoing stakeholder engagement, delivery of VCMA projects, and the development of the company's environmental and sustainability strategies.

The ISG believes WWU has provided the information and evidence required for it to monitor how consumers and stakeholders have been engaged and how this engagement has affected the development of the RIIO-GD3 business plan. There has been a significant step change and investment in the way engagement is approached by the company. Engagement is now embedded within the business with the ISG pushing for further strategic development.

WWU has responded by delivering:

- Enhanced stakeholder mapping and reporting including:
  - identification of key stakeholders by sector and activity
  - improved outcome justification
  - clearer relationship management within the organisation
- Investment into AI leading to clearer and more focused triangulation
- Clearer cohesion from consumer and stakeholder feedback to business plan commitment

Following the publication of Ofgem's business plan guidance in July 2024, and the creation of the ISG model, we have challenged WWU on 4 key questions about their business plan.

- Is the plan in the interest of consumers?
- Is the plan appropriate?
- Is the plan efficient?
- Is the plan ambitious?

Ofgem has stated an intention to launch a call for evidence on GDNs final business plans in December 2024. The ISG will use this process to provide its consolidated view of consumer engagement by WWU and potential consumer impacts, in line with Ofgem guidance.

However, at this stage we want to outline key areas of challenge and concern which our deliberations to date have highlighted, for the company, the regulator, and the wider strategic development of energy policy.

- We are concerned that accelerated depreciation and decommissioning will have large, as yet undefined by Ofgem, consequences for consumer bills.
- We are especially concerned that the costs of disconnections from the network could have a disproportionate impact on the bills of those left on the network, especially the most vulnerable and those 'left behind' during the transition to net zero.
- The emergence of several sizeable low carbon energy projects in Wales and the South West over the next decade e.g. Nuclear SMR in Gloucestershire, EV Giga Factory in Somerset and Floating Offshore Wind, will generate a very competitive market for a skilled talent pool. WWU's Plan does include recruitment and retention strategies for RIIO-GD3, however such external forces are difficult to quantify and can greatly add to the costs included in the Business Plan.
- Potential changes to the VCMA pose specific risks to vulnerable Consumers, and the ISG urges allowances in this area to be maintained at enhanced levels, not cut. With no slack in their budgets, many low-income and vulnerable households are now mired in record levels of energy debt and severely rationing their energy use.
- In the path to Net Zero lies a critical opportunity to improve the lives of these households as we decarbonise and upgrade the energy efficiency of our existing housing stock. The ISG believes that GDNs have a vital role to play in this transition. Vulnerable consumers are likely to make up an increasing proportion of the gas domestic consumer base into RIIO-GD3 and beyond as wealthier households transition/electrify, leaving behind those who are unable to change. How WWU responds to the challenge, the needs of its consumer base and delivery of its commitments will be very important and will depend on the appropriate funding from Ofgem in the RIIO-GD3 allowances.
- Consumers deserve timely clarification of future energy options, clarity on current positions, and of what transition means for their energy consumption and future bills. Local authorities, governments in England and Wales, NESO and the energy regulators, as well as gas and electricity distribution and transmission companies all have a critical role to play in ensuring that the consumer is put at the heart of strategic energy decision making.

The ISG would like to recognise WWU's open engagement throughout the RIIO-GD2 and RIIO-GD3 processes. The interest of consumers has been and remains our paramount concern. We acknowledge the Company's ongoing commitment to make sure stakeholder engagement underpins its business plan and delivery.



Sian Callaghan – ISG Chair

*S Callaghan*



Peter Haigh – Deputy ISG Chair

*Peter Haigh*