

# Assurance Statement



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## Acronym Key

AI	Artificial Intelligence
CEG	Customer Engagement Group
DAG	Data Assurance Guidance
ESG	Environmental, Social and Governance
GDN	Gas Distribution Network
ISG	Independent Stakeholder Group
Ofgem	Office of Gas and Electricity Markets
PMO	Project Management Office
Q	Quarter
WACC	Weighted Average Cost of Capital

### Legal Notice

This paper forms part of Wales & West Utilities Limited Regulatory Business Plan. Your attention is specifically drawn to the legal notice relating to the whole of the Business Plan, set out on page 3 of Document 1 of WWU Business Plan Submission. This is applicable in full to this paper, as though set out in full here.

# 1. Introduction

Wales and West Utilities (WWU) is a Gas Distribution Network (GDN) that transports gas to consumers through our 35,000km of pipe. We invest £2.5million every week in the maintenance and replacement of our network. We serve diverse communities across cities, towns, villages, and open countryside. We provide a safe and reliable gas supply to 7.5 million people across 2.5 million homes and businesses across Wales and south-west England whilst responding to around 90,000 gas emergencies every year.

In each region of Great Britain, a GDN operates in a monopoly situation since it has no competitors, therefore all the GDNs that operate in Great Britain are regulated by the Office of Gas and Electricity Markets (Ofgem).

For the financial years 2026-2031, (the RII0-GD3 price control period), Ofgem will set regulated revenues and required outputs for the gas distribution network companies. To do this, Ofgem need information from the companies on the activities that they intend to undertake in the RII0-GD3 price control period, the outputs that they will deliver, their associated costs and the required allowances. We have submitted this information to Ofgem in the form of a Business Plan, which Ofgem will assess. Robust assurance and governance of this Business Plan submission is vital if stakeholders are to have confidence in the information presented in them.

This assurance statement explains how we have assured our RII0-GD3 Business Plan to ensure our forecasts are accurate and that our plan is ambitious and deliverable for our customers. Assurance checks on the systems and processes for developing and producing the Business Plan and the Board's integral role towards governance surrounding the submission has resulted in our high-quality plan in which stakeholders can have confidence. We outline the process we followed, the governance framework established by our Board (section 2.1) how we have prioritised risk (section 4), and the role of the Independent Stakeholder Group (ISG) (section 5.3). The ISG has scrutinised our RII0-GD3 submission process challenging the engagement we have had with stakeholders and how we have incorporated customer interest into our plan. We have a clear, robust assurance programme that has tested that our plan reflects customer interest alongside its accuracy, ambition, efficiency, and financeability.

This document covers all aspects of the Business Plan from initial drafting to final approval and includes:

- Sufficiently Independent Director statement of assurance (section 2.3)
- KPMG statement on overarching process compliance (section 5.1)
- Board statement on our plan including financeability (section 7)



## 2. Effective governance led by our Board

### 2.1. Corporate Governance Framework

Effective governance is realised through leadership and teamwork. Collaboration across all levels, supported by our Board, Board Committees and Executive structure, drives a culture of continuous improvement. Our Corporate Governance Framework is set out below. The Board has detailed terms of reference, setting out its responsibilities, accountabilities, and reporting obligations, as well as how the Board Committees operate in conjunction with the Board. These, together with the risk management and internal control frameworks, form an effective and robust governance structure design that manages and develops WWU in line with its strategy.

Specifically for our Business Plan submission, the Board set up a RIIO-GD3 Board Committee to oversee the business planning process and challenge management on that plan. This Committee, which includes our Sufficiently Independent Directors, and is chaired by one of them, regularly reviewed key elements of the Business Plan, particularly on cost of capital, major investment decisions and efficiency of costs, reporting to the Board as appropriate. They also reviewed the accuracy, efficiency, ambition and customer interest assurance process to ensure appropriate challenge was undertaken. This oversight not only ensured alignment with the overall strategy but also served as an extra layer of assurance that the plan is viable and credible.

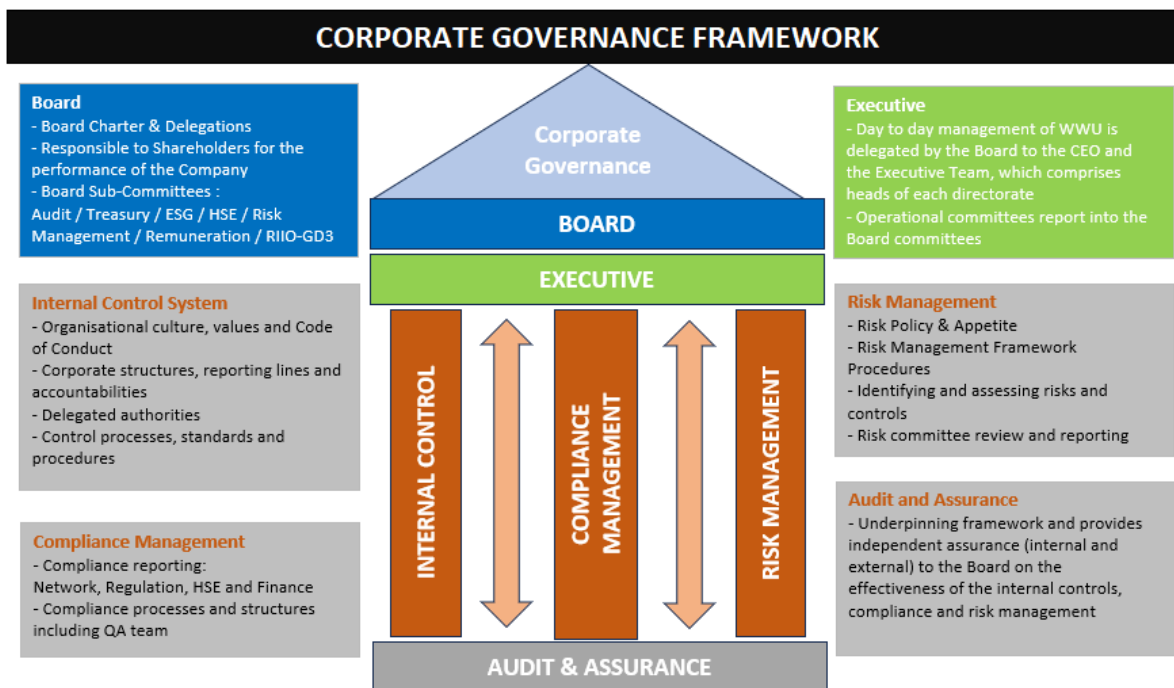


Figure 1- Corporate Governance Framework

## 2.2.Board Committees

A Board Committee is a sub-set of an organisation's Directors that focuses on a specific area of expertise. The Board Committees help the Board make better decisions by providing in-depth analysis and focused expertise that can be shared back with the full Board. They also help the Board manage the volume of work and plan future workloads. Board Committees can be either temporary (ad-hoc) or permanent (standing). The structure of the committee should reflect the Board's strategic plans, the needs of the corporation, and the topics being discussed.

The establishment of our RIIO-GD3 Committee to provide oversight and direction of the preparation and submission for RIIO-GD3 was a strategic move to align our plans and direction with the anticipated demands and stipulation of the upcoming price control. This involved appropriate challenge of the Company's assumptions for submission and deep dives into areas where there are material changes in workloads, activities, costs, or approaches from the current control, together with a review of compliance with Ofgem's guidance.



Figure 2- WWU Board Committees

### 2.3. Sufficiently Independent Director Statement

In accordance with Ofgem's requirements, we set out below the assurance statement made by our two Sufficiently Independent Directors on our RIIO-GD3 Business Plan.

To: Ofgem

#### **Subject: Sufficiently Independent Directors' Statement of Assurance for Wales & West Utilities' RIIO-GD3 Business Plan**

As Sufficiently Independent Directors of Wales & West Utilities Ltd (WWU, the Company), within Ofgem's definition, we (Mike Davis and Grant Hawkins) provide this statement of assurance regarding WWU's Business Plan for the RIIO-GD3 Price Control period 1 April 2026 – 31 March 2031. This statement is made in accordance with Ofgem's regulatory requirements and within their Business Plan Guidance.

#### **1. Overview of the Business Plan**

WWU's Business Plan outlines the Company's strategic objectives, deliverables, financial projections and financeability for the RIIO-GD3 period. It has been developed with input from key stakeholders and aligns with the Company's long-term vision and ambition as stated in their Business Plan; building on WWU's consistently strong performance in safety, reliability and customer performance during RIIO-GD2 and prior.

#### **2. Governance and Compliance**

We have been members of the Board RIIO-GD3 Business Plan Committee since its formation was agreed by the Board in April 2023, with Mike Davis being appointed chair from the outset for formal meetings to provide an unbiased, balanced direction and challenge.

A robust governance structure has been in place throughout the development of the plan, utilising established governance frameworks and compliance mechanisms to ensure that all aspects of the plan adhere to regulatory standards. This builds on WWU's experience during the RIIO-GD2 business planning process.

The plan has been subject to multiple levels of governance, including WWU senior management, WWU Executive Team, Board Committees and Board. This includes regular meetings, committees and appropriate approvals up to Board level through all stages of plan development. All significant matters have been discussed at the Board Committee and Board level, with appropriate decisions being taken there. Further challenge has been provided by the Company's ISG and assurance process which is detailed through the Company's Business Plan.

#### **3. Financial Assurance**

The financial projections included in the Company's Business Plan have been thoroughly reviewed and validated by WWU's Finance and Treasury teams. The Company continues to apply stringent financial controls to ensure accuracy and transparency in its financial reporting.

We remain concerned over certain financial assumptions Ofgem requires the Company to use under Ofgem's two required models: the Ofgem Notional Company and the Ofgem Actual Company, which we would like to bring to Ofgem's attention as follows:

- The Ofgem required Business Plan assumption for cost of equity of 5.43% and the base dividend rate of 3% are unlikely to attract and retain the equity should it be required across RIIO-GD3 given significantly different market conditions since RIIO-GD2 commenced, the increasing UK and international demand for capital to support the increasing infrastructure demand and risk profile of the GDN sector.
- Ofgem continuing to use sector or cross sector average allowances for cost of debt and excluding most derivatives.
- The proposed application of the tax clawback rules would result in materially adverse consequences if WWU's gearing exceeds Ofgem's notional gearing level. In which case all interest in excess of the allowed interest is disallowed, rather than just the interest attributable to debt in excess of notional gearing.

WWU has proposed solutions to each of these concerns in its Business Plan.

Given the current government's legally binding target of net zero carbon by 2050 with a decision on domestic heat expected in 2026 and a target date of 2030 to achieve net zero power generation, there remains considerable uncertainty over the role that gas and electricity will play in the future energy mix.

**4. Risk Management**

WWU's risk management strategy is designed to identify, assess, and mitigate potential risks that could impact its business. The Company's Risk Management and Compliance Committee regularly reviews and updates risk management policies and procedures.

**5. Commitment to Stakeholders**

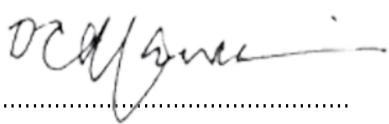
WWU is committed to delivering value to its stakeholders, including employees, customers, the community and shareholders. There has been significant effort to engage and capture the views and needs of a wide range of stakeholders reflecting the demographics of consumers within its region, businesses, industry and local and national government. The Company has reviewed these viewpoints and, where there were differences, has transparently documented its evaluation and resolution in the final Business Plan.

**6. Statement of Assurance**

We confirm that in our opinion, Wales & West Utilities' RIIO-GD3 Business Plan has been challenged for accuracy, efficiency, ambition and customer interest, and meets Ofgem's Business Plan Guidance requirements.

SIGNATURE.....

**Mike Davis**  
Independent Non-Executive Director (Sufficiently Independent Director) & Chair of the Board RIIO-GD3 Committee

SIGNATURE .....

**Grant Hawkins**  
Independent Non-Executive Director (Sufficiently Independent Director)

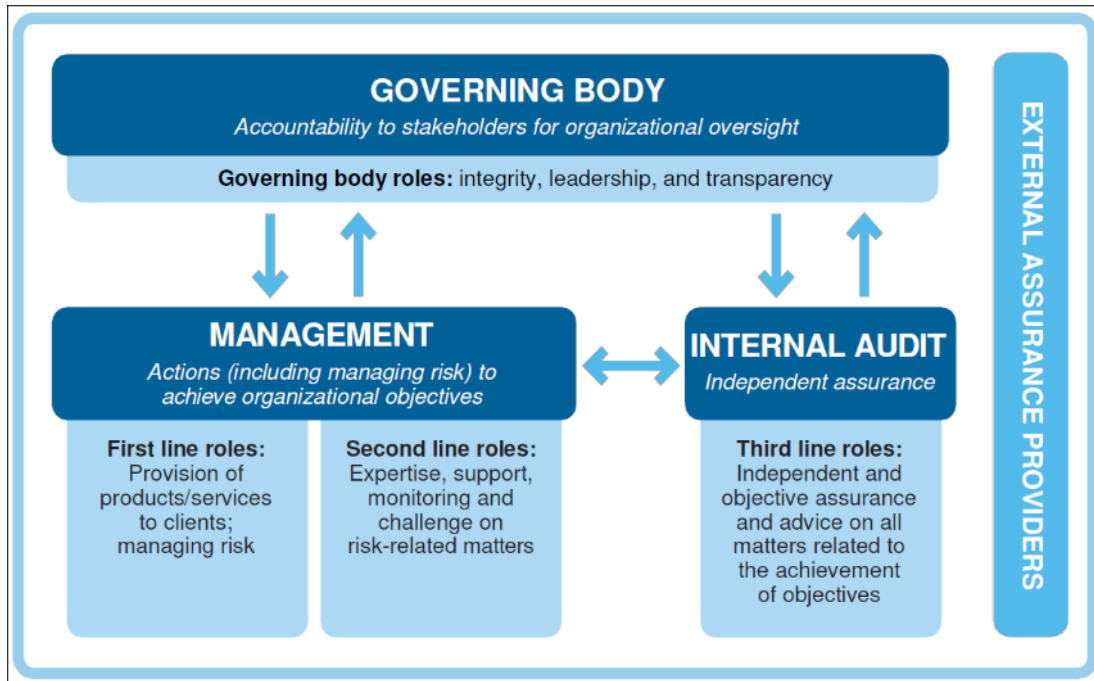
Date: 11 December 2024

### 3. Our Assurance framework for Business Plan regulatory submission

#### 3.1. Robust Assurance

Our RIIO-GD3 planning draws upon our established governance framework and leverages the internationally recognised three lines assurance model. This model helps establish clear accountability for data assurance while mitigating risks across different layers of the organisation.

Figure 3- The IIA Three Lines Model (The Institute of Internal Auditors, (2020) <sup>1</sup>



We also have a well-established Data Assurance Guidance (DAG) process for our annual reporting to Ofgem, and the Business Plan assurance work is built on this (section 3.3) including the performance of risk assessments (section 3.3.1). Our approach includes independent technical and risk-based external assurance alongside our robust internal assurance to ensure an adequate level of review is applied and recorded across the plan and builds on best practices.

#### 3.2. Integrating the three lines model

First-line activities consist of managers and staff who are directly responsible for producing or managing data, documentation and quality checks that support the data, giving them a deep knowledge with the subject matter. They implement controls and take corrective actions to address any deficiencies.

Second-line activities are performed by a discrete, independent team to ensure compliance checking is conducted. This line provides oversight and support to the first line. Our Senior Leadership and Executive Team have been heavily involved here to provide an objective review of all aspects of our plan.

Third-line activities are carried out by independent and objective internal or external providers depending on the specialisation required. The expertise can be divided into the following categories:

- **Engineering/Technical** - where assurance requires an expert engineering/gas industry technical background.

<sup>1</sup> The Institute of Internal Auditors. (2020). *The IIA's Three Lines Model: An update of the Three Lines of Defense*. Retrieved from [IIA Website](#)



- **Regulatory** - where a challenge is required around the methodology used and assumptions against our requirements.
- **Financial** - used for areas requiring specific financial expertise.
- **Model integrity** - where a complex model is used and requires specialist external expertise to test and challenge.

Further details of our external (including third line) independent assurance providers and a summary of work undertaken by external consultants can be found in our external assurance activities section (5.4).

Line	Functions/ Individuals	Activity	Roles
First	Those directly responsible for the day-to-day business activities in each area.	Action	<ul style="list-style-type: none"> <li>- Produce data tables and/or narrative documents relevant to their area and Ofgem requirements.</li> <li>- Complete 1<sup>st</sup> line assurance activities</li> <li>- Manage risk within their teams.</li> <li>- Ensure the accuracy and reliability of what they produce.</li> </ul>
Second	RIIO-GD3 Delivery team Executive Directors Senior Managers	Action	<ul style="list-style-type: none"> <li>- Provide objective review of documents.</li> <li>- Manage risk across the project.</li> <li>- Monitor compliance with Ofgem requirements.</li> <li>- Provides oversight and support to the first line.</li> <li>- (assurance activities detailed in section 5)</li> </ul>
	Expert challenge forums: (RIIO-GD3 Steering group, Operations Delivery group, Stakeholder insight round table)	Action	<ul style="list-style-type: none"> <li>- Provide challenge to those with 1<sup>st</sup> line roles.</li> <li>- Assist with managing risk.</li> <li>- Provide complementary expertise, support and monitoring.</li> </ul>
Third	Internal Audit	Assurance	<ul style="list-style-type: none"> <li>- Provide independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management.</li> </ul>
	ISG	Assurance	<ul style="list-style-type: none"> <li>- Ensure activities are aligned with the priorities of all stakeholders.</li> </ul>
	External independent assurance	Assurance	<ul style="list-style-type: none"> <li>- Provide independent and object assurance on various aspects of the plan.</li> </ul>
	RIIO-GD3 Committee WWU Board	Accountability	<ul style="list-style-type: none"> <li>- Ultimately responsible for submission</li> <li>- Ensure appropriate structures and processes are in place for effective governance (delegates responsibility).</li> <li>- Ensures provision of adequate resources</li> <li>- Take accountability and provide challenge for the submission.</li> </ul>

### 3.3.Data Assurance Guidance (DAG) Process

The DAG was first issued by Ofgem in January 2016 and applies to all Electricity and Gas Network Companies. DAG is to be used by all network companies as a guide to the data assurance requirements relating to data submissions made to Ofgem. It provides guidance on best practice for conducting and reporting Risk Assessment and Data Assurance Activities to ensure complete, accurate and timely data is submitted to Ofgem.

As stated in paragraphs 1.6-1.7 of the Ofgem Data Assurance Guidance: ‘The overarching aim of the DAG is to reduce the risk to customers and other stakeholders of any inaccurate reporting by Licensees. DAG applies to all Data Submissions made as part of the price control (both those that are regular and any other ad-hoc requests as determined by Ofgem)’.

The guidance firmly places responsibility on each business regulated by Ofgem to ensure the integrity of the data they each collect, analyse, and submit to Ofgem. We designed, built and operated a DAG Directory which supports the evidencing and adherence to DAG requirements for each submission. The process for assurance of annual returns is completed using our DAG Directory to ensure an appropriate level of compliance and assurance as outlined in the Ofgem DAG Guidance document.

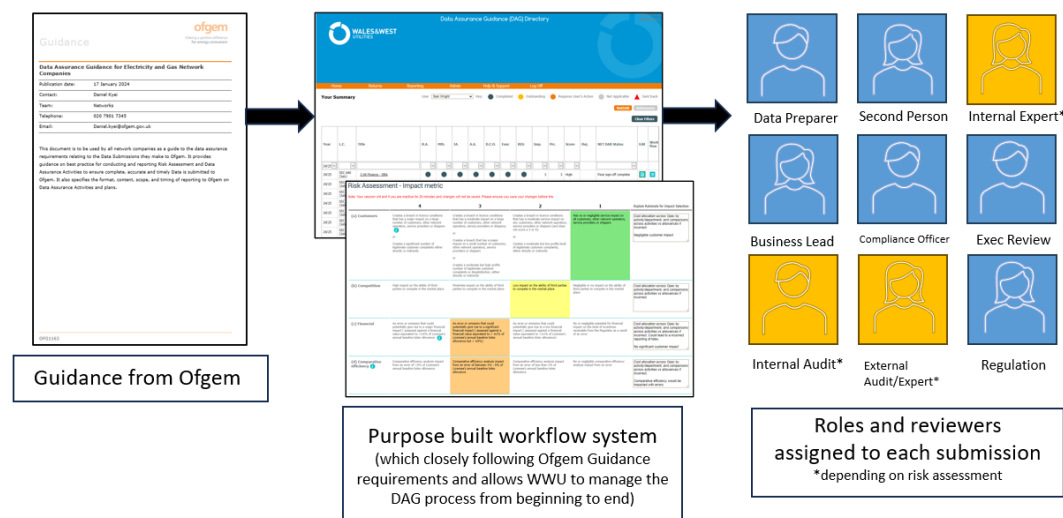


Figure 4 WWU approach to DAG requirements

Applying the DAG process to the Business Plan process makes use of existing and well-established controls that WWU already has in place and ensures that validation is completed across the Business Plan.

#### 3.3.1.Risk Assessment

The first part of the DAG process is to complete a Risk Assessment for each of the Business Plan documents. The Risk Assessment process is a robust review considering the impact and probability metrics for each document submission. More information on the risk assessment criteria can be found in Section 4.3.

The Risk Assessments for each Business Plan document were completed and scored by the Business Lead responsible for each of the Business Plan documents. The Risk Assessments and scores were then reviewed by the Business Plan Delivery Team with support provided by the Regulation and Internal Audit teams to assess the risk assessment scores to determine which of the documents should be subject to

the application of additional assurances which can include Internal Expert, Internal Audit and External Assurance.

### 3.3.2. Submission Review

Each document submission within the Business Plan is subject to the DAG process, with reviews and approvals completed by each of the mandatory reviewers as outlined below.

The individuals chosen for reviewer roles for each Business Plan document have been selected specifically due to their knowledge and experience within each area and subject. The Business Plan team alongside the DAG Compliance Officer and Regulation team ensure that all reviewers and personnel involved are given full support and guidance to ensure that the DAG process is followed appropriately, maintaining the level of high-quality assurance and validation already in place for annual submissions. Specifically for the Business Plan submission, the Business Plan Assurance team have provided high levels of support and guidance to ensure that the requirements for the Business Plan submissions are met.

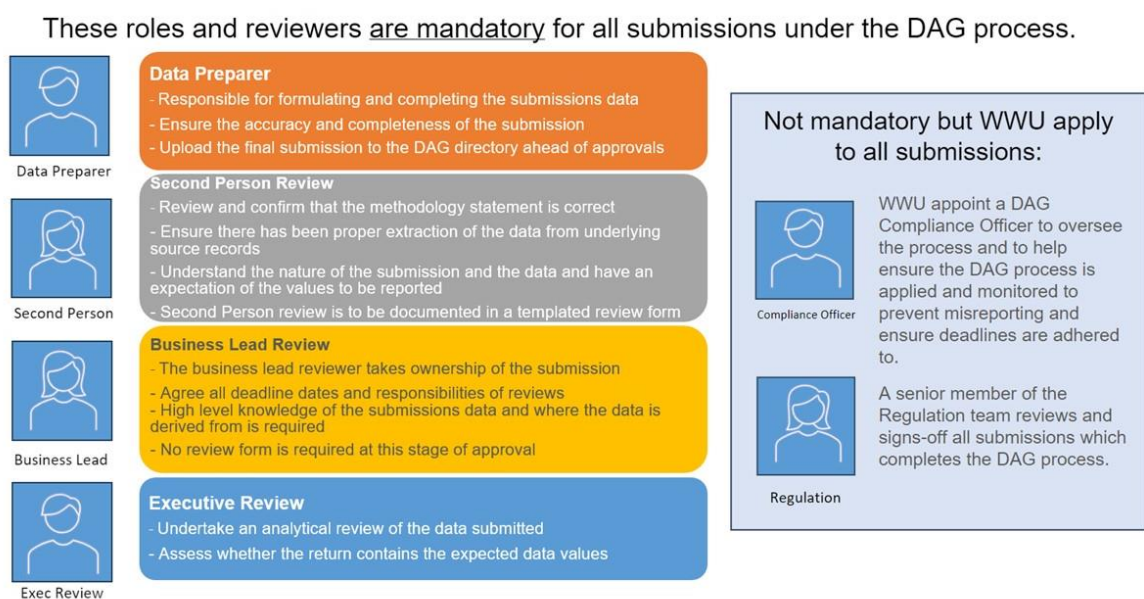


Figure 5 Roles and Approvals within the DAG Process

Once the Business Plan document submission is uploaded to the DAG Directory by the Data Preparer, it is then subject to the mandatory reviews as listed in Figure 5 and in the process diagram in Figure 6. The DAG Directory follows a workflow process, and each reviewer can either approve or reject a submission.

Approval will move the submission to the next reviewer in the process, whilst rejecting the submission sends it back for amendment and re-submission as required. All comments made through the portal throughout the review process are recorded, and where required as part of the process, review forms are completed and uploaded to the portal (required to be completed by the Second Person and Internal Audit reviewers).

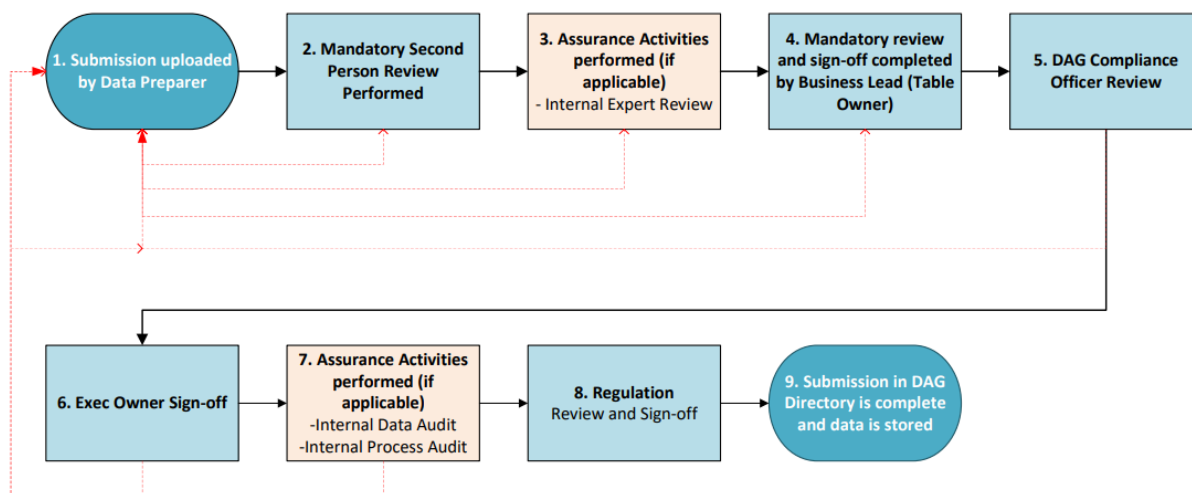


Figure 6- DAG directory process

### 3.4. Ownership and Accountability

We developed clear lines of ownership for all sections of our Business Plan submission.

We have a culture that empowers our senior managers to act and deliver for their areas of responsibility. We have a skilled and experienced RIIO-GD3 team, which utilises line managers and staff with appropriate skills and knowledge from across the business.

The WWU Board has owned and is accountable for the submissions and the business planning processes that underpin all aspects of the Business Plan. The Board has ensured sufficient focus and challenge on the Business Plan by creating a specific Board Committee to oversee its development.

Overall accountability for the preparation and production of the RIIO-GD3 Business Plan has rested with our Chief Financial Officer, who is responsible for the Business Plan and Regulation functions within WWU.

### 3.5. Transparency and public accountability

Robust assurance and governance of Business Plan submissions is vital if stakeholders, including Ofgem, consumers and other interested parties, are to have confidence in the information presented. We aim to be transparent about how we balance the needs of our customers and other stakeholders, our strategic plans as a business, and the provision of a fair return for our investors.

We outline our performance each year within our annual Strategic Performance Overview and hold ourselves to account should we not meet our commitments.

## 4. Our approach to risk

### 4.1. Risk Management Approach

We have established a comprehensive approach to risk and has embedded risk management into our business decision-making process. The key components of the risk management framework are shown in the diagram below:

Key Components of the Risk Management Framework, Ownership and Frequency	
<b>Corporate Risk assessment and oversight together with reporting of Principal Risk</b> <ul style="list-style-type: none"> <li>• Top risks from a strategic level</li> <li>• Ownership: Board</li> <li>• Frequency: 6 monthly for Corporate risks and Principal risks</li> </ul>	<b>Risk Monitoring</b> <ul style="list-style-type: none"> <li>• Review of company risks and reported principal risks together with mitigating actions</li> <li>• Review of key functional risks and mitigating actions</li> <li>• Ownership: Executive Team / Risk Management and Compliance Committee</li> <li>• Frequency: at least Quarterly</li> </ul>
<b>Risk Appetite Assessment</b> <ul style="list-style-type: none"> <li>• Acceptable level that risks should be managed to</li> <li>• Ownership: Board</li> <li>• Frequency: Annual review</li> </ul>	<b>Functional Risk Assessments and Reporting</b> <ul style="list-style-type: none"> <li>• Key risks for each functional unit</li> <li>• Escalation of key risks to the Executive Team / Risk Management and Compliance Committee</li> <li>• Ownership: Functional Leadership team</li> <li>• Frequency: at least Quarterly</li> </ul>
<b>Enterprise Risk Management Framework</b> <ul style="list-style-type: none"> <li>• Oversight of the Enterprise Risk Management Framework</li> <li>• Ownership: Risk Management and Compliance Committee</li> <li>• Frequency: at least Quarterly</li> </ul>	<b>Risk Assurance Mapping</b> <ul style="list-style-type: none"> <li>• Working to map key risks to assurance activities</li> <li>• Ownership: Management / Internal Audit / Risk Management and Compliance Committee</li> <li>• Frequency: Biannually</li> </ul>

*Figure 7- Risk Management Framework*

Our risk management process continues to be based on assessments of operational (including health and safety), regulatory, financial and other business or project risks. Key business departments prepare and maintain their own risk registers that capture their key risks and the actions being taken to manage them.

These risk registers support the Company's corporate risk register, which incorporates risks that are viewed as important to the Company from an ongoing risk management and mitigation perspective. Senior management is actively involved in the review process, whether that be through discussion at relevant committees, or during review and challenge from our Internal Audit function.

### 4.2. Risk Monitoring for GD3 Planning

The RIIO-GD3 delivery team has managed a risk register of both delivery and project risks relating to the Business Plan submission since the project's inception in December 2022. The register records and monitors relevant risks, key risk indicators, and key controls to demonstrate that the risks are being mitigated to an acceptable level.

The Business Planning Project Manager owns the register; however, risks and their relevant actions and controls are owned by senior managers across the business.



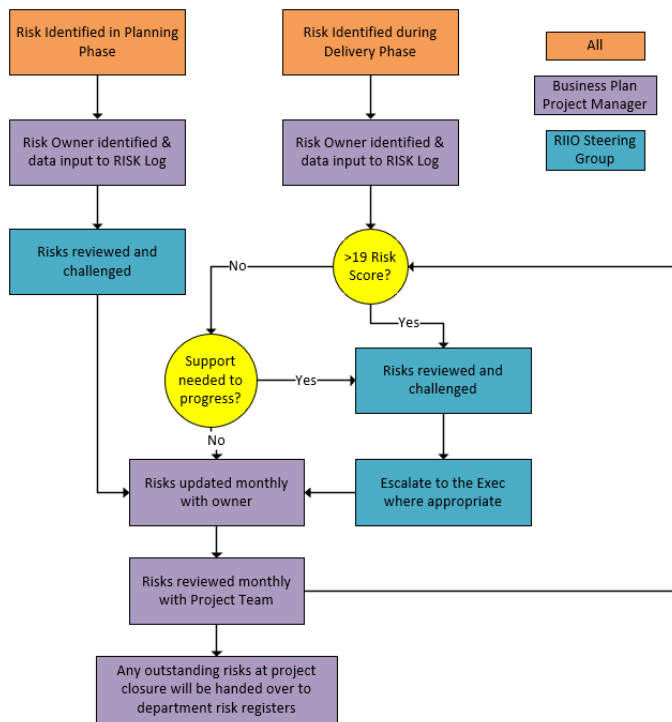


Figure 8-RIIO GD3 Risk Governance Framework

At project closure, outstanding risks which will endure and need ongoing management through the delivery of RIIO-GD3 will be handed over to the appropriate department to monitor and control.

### 4.3.Risk Assessments

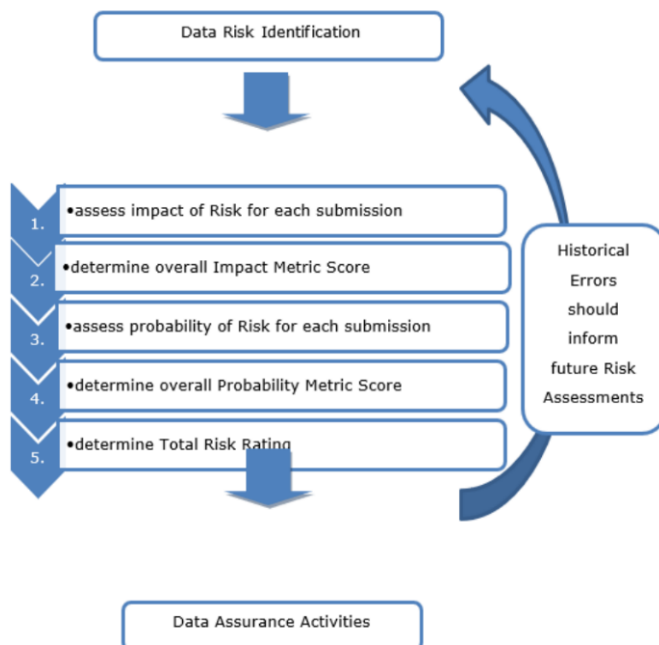


Figure 9-DAG Data Risk Identification

Risks are identified either through the initial planning phase (by the RIIO-GD3 Delivery team) or during the project's delivery phase (by anyone involved) and updated regularly through the relevant working groups or project management office (PMO) meetings. Any risk deemed to reach a critical risk score threshold defined in the planning phase (>19) is then challenged and reviewed by the wider team before escalating to the appropriate management level.

The risk register proved a key enabler in the development of the Business Plan, revealing evidence gaps, highlighting high-risk areas, and influencing changes to ways of working.

We utilised the DAG Directory to complete the Risk Assessment process for all document submissions. The DAG Directory workflow follows the Ofgem DAG risk assessment requirements.

The risk identification has been completed using Ofgem's five stage process which assesses the overall risk for each data submission determined by both the probability of it containing an error and the impact this error could have across key drivers.

The risk scores that have resulted from the risk assessment have then informed the choice of appropriate data assurance activity for each submission.

## 5. Our Assurance activities for GD3 planning

### 5.1.Objectives

Together with our Board, and Board Committee we set 6 overarching objectives for our assurance programme process to ensure that we meet Ofgem's requirements, and to provide a robust, accurate submission that meets customer expectations and needs.

- Objective 1: Our plan and supporting appendices address the minimum requirements set out in Ofgem's Business Plan guidance (latest published on 30 September 2024).
- Objective 2: All relevant documents have been prepared in line with, and assured that they comply with, Ofgem's Data Assurance Guidance (DAG).
- Objective 3: All appropriate aspects of our plan have been subject to challenge by our ISG and are informed by stakeholder engagement.
- Objective 4: The Business Plan outputs provide value for consumers and are deliverable.
- Objective 5: Expenditure forecasts have been produced using a robust and efficient process.
- Objective 6: All submission documents have been developed in line with their relevant templates/and or guidance from Ofgem.

These objectives provided focus points for the evidence needed to provide the assurance required for our plan. We have followed our process and delivered all objectives in line with our expectations and Ofgem's requirements.

#### 5.1.1.Work commissioned with KPMG

Upon completing the governance and assurance process, and before finalising our RIIO-GD3 Business Plan for submission, we instructed KPMG to conduct final assurance checks. These checks were designed to provide assurance to the Board and Board Committee that the Business Plan meets the criteria which the Board agreed and formally approved. Specifically, that the Business Plan is sufficiently scrutinised by the Independent Stakeholder Group, that it is Efficient, Financeable, Deliverable, and fully compliant and meets with Ofgem's guidance and consumer's needs. Summary of this work is set out below:

*KPMG conducted a review to evaluate the extent and type of challenge and assurance activities that have been undertaken by WWU over their RIIO-GD3 Business Plan. The purpose of the review was to identify the coverage (i.e. existence) of the challenge and assurance that has taken place over their RIIO-GD3 Business Plan. As part of this work KPMG did not conduct assurance activities or assess the quality or accuracy of the assurance activities that have taken place. KPMG and WWU agreed a set of nine areas to be reviewed/assessed against WWU's assurance programme. These areas were derived from Ofgem's Business Plan Guidance and were as follows:*

- 1) Robust governance and assurance programme structure*
- 2a) Challenge over accuracy*
- 2b) Challenge over ambition*
- 2c) Challenge over efficiency*
- 2d) Challenge over customer interest*
- 3) Assurance over chapter-specific Business Plan requirements*
- 4) Assurance over financeability of the Business Plan*
- 5a) Assurance over Clarity*
- 5b) Assurance over Credibility (Deliverability)*

*Against each of these areas KPMG requested evidence (and held walkthroughs) to demonstrate the challenge and assurance activities undertaken across first, second and third line teams that had taken place in that area.*

*Overall KPMG identified evidence of multiple challenge and assurance activities in all nine areas reviewed:*

- *For all nine areas, no significant gaps were identified between the agreed Ofgem assurance requirements and the coverage of challenge/assurance that has taken place over the Business Plan (in most cases this has included assessment and review by senior management, working groups and steering groups).*
- *Three areas (1, 2c, 2d) demonstrated evidence of assurance which would align with what KPMG observe as good practice, showing existence of granular formal challenge and assurance (including by third parties) across first, second and third line teams.*
- *One area (2a – challenge over accuracy) demonstrated evidence of what KPMG has observed as leading practice assurance coverage through well documented first, second and third line assurance activities tracked through a central Data Assurance Guidance (DAG) system which allows for the formal tracking of reviews / feedback as well as the maintenance of an audit trail (in some cases, feedback provided overlaps with the other eight areas).*

*As a result of the work undertaken in line with the scope above, KPMG noted no significant gaps against Ofgem’s assurance requirements.*

## 5.2. Internal Audit

WWU’s Internal Audit annual plan is aligned to WWU’s strategic priorities. The plan is developed through extensive engagement across the business along with a broader consideration of the key risks we face. In devising the plan for 2024 the RIIO-GD3 Business Plan planning process was considered an area where additional independent and objective assurance should be sought, and the plan and this approach was signed off by WWU’s Audit Committee in November 2023. The Internal Audit annual plan is reviewed regularly with the business to accommodate changing business priorities or changes in the risk landscape to ensure the plan remains relevant to WWU. All changes are subject to approval by WWU’s Audit Committee.

In discussion with management, it was agreed that an audit, with its associated audit opinion, which is necessarily up to a point in time, would not best add value to management’s required actions. Furthermore, any matter noted by Internal Audit would be best received in real-time, rather than in a final report, to enable management to quickly react ensuring workflows remained on track to the deadlines.

Internal Audit therefore acted as a ‘critical friend’ to management, observing management’s actions and feeding back in real time any recommendations and observations enabling management to enhance the outcome delivered.

The review considered RIIO-GD3 work from April 2024 through to WWU’s final submission in December 2024, with written updates provided to the Audit Committee at the end of Q2 (June), Q3 (September) and Q4 (December). As noted, the engagement with management remained continuous throughout this time with management reporting up to the Board RIIO-GD3 Committee on a monthly basis.

The objective of the review was to provide a critical assessment and to feedback to management across the following key areas:

- **Planning:** are the project's goals, scope, timeline, and resources sufficiently aligned to Ofgem's requirements and the submission deadlines;
- **Execution:** is the project following the planned approach to meet Ofgem's requirements; including an assessment of whether WWU's senior management understand what is required from them and when;
- **Governance:** including any decision-making framework applied (including composition of committees exercising oversight and decision making), the clarity of roles and responsibilities, the tempo and quality of communication and reporting and WWU's approach to risk management of the Business Plan process;
- **Independent Stakeholder Group:** whether sufficient engagement and insight is provided to ensure that the consumer voice is heard in developing WWU's Business Plan;
- **Closure:** is a sufficient audit trail being maintained in a form appropriate for potential later review and/or challenge;
- **Lessons Learned:** that these are captured, analysed, considered, implemented, and sustained.

In discharging this remit Internal Audit have:

- Assessed the Lessons Learnt as captured from the RIIO-GD2 process;
- Assessed the RIIO-GD3 planning process including a review of key documentation;
- Attended planning meetings at all stages and levels of the RIIO-GD3 Business Plan process;
- Interviewed and undertaken ongoing engagement with members of the RIIO-GD3 Board Committee, including the Independent Non-Executive Directors (Sufficiently Independent Directors);
- Interviewed members of the Independent Stakeholder Group (ISG);
- Conducted a survey of WWU's senior managers.

The work undertaken concluded that some enhancements could be made to optimise the process rather than any fundamental and significant changes being required. Such enhancements included increased engagement with stakeholders providing review and independent challenge, and even greater signposting of timelines and deadlines to ensure progress at key stages. Such enhancements were suggested to optimise what was found to be a well-planned, robust and well-executed process, to ensure the final output was strengthened drawing on the collective expertise of all those central to the process.

It was noteworthy that management took immediate action to enact enhancements following the observations received from Internal Audit.

Internal Audit's work will continue beyond the December Business Plan submission to ensure that lessons learnt through the process are captured and carefully considered to enhance future planning processes to be delivered in line with Ofgem requirements.

### 5.3.Independent Stakeholder Group (ISG)

It was clear that the challenge and scrutiny provided by our Customer Engagement Group (CEG) during RIIO-GD2 business planning helped us develop a high-quality RIIO-GD2 Business Plan reflecting the views of consumers and stakeholders, and therefore we maintained our CEG into RIIO-GD2 delivery. This meant that the established group were quick to get started in response to a re-focus by Ofgem in Spring 2024, whereby the name was changed to the Independent Stakeholder Groups (ISG).

To make sure our ISG was fit to take us through RIIO-GD3 business planning, we reviewed the group membership with our ISG chair and adjusted accordingly to ensure the expertise and breadth of the Group's membership best enabled it to challenge WWU's Business Plan adding value to the final submission and ensuring the views of stakeholders and customers were heard. We also introduced a high-level secretariat, to make sure the chair, deputy chair and members had the administrative support they needed. WWU and the ISG jointly agreed on a work programme including monthly meetings and subgroup meetings.

The ISG played a key role in several areas. They oversaw the creation of specific key stakeholder questions that WWU workstream leads used to gather evidence from stakeholders and consumers. The ISG supported the development of engagement content, ensuring that the methods were unbiased and that the appropriate stakeholder groups were invited to participate. During the development of our RIIO-GD3 commitments and level of ambition, the ISG assessed WWU's interpretation of stakeholder feedback. They also challenged the business on their proposed RIIO-GD3 commitments, in line with Business Plan Incentive (BPI) Stage C requirements. This process was facilitated by the creation of Stakeholder Justification Papers bringing together the methods of engagement, stakeholder groups engaged, key messages and conflicts in stakeholder feedback. They scrutinised the development of the 100-page Business Plan, along with supporting strategies and action plans, to ensure they represented customer and stakeholder interests, providing an independent statement signed by the ISG chair<sup>2</sup> to this effect.

#### 5.3.1.Work commissioned with Sirio Strategies

Through 2024 we worked with Sirio Strategies to make sure our engagement insight was analysed and triangulated. In the first instance analysis was carried out manually, and this evolved into us becoming one of the first adopters of the AI engagement analysis tool created by Sirio Strategies.

The AI tool enables swift and accurate analysis, synthesis and triangulation of insight, which has sped up the process of accessing precise and true analysis of stakeholder insights. It gives us the ability to quickly follow up the answer to a question with further questions, to develop a thorough understanding of consumer and stakeholder insight. The tool works by analysing our engagement insight data, associated robust industry and other reports and credible third-party engagement insight further detail of this work can be found in Sirio's report 'WWU RIIO-GD3 Triangulation Assurance Document'<sup>3</sup>

### 5.4.External assurance activities

The external assurance activities for specific documents was decided for parts of the submission where:

- The DAG risk assessments identified that the submission would benefit from external assurance due to its risk indication; and/or.
- There wasn't independent technical knowledge elsewhere within WWU to assure the submission.

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<sup>2</sup> 62. Statement from ISG

<sup>3</sup> 57B WWU GD3 Triangulation Assurance Document



A summary of external work is below:

External Provider	Scope	Reference
ICS	Assurance of GD3 Asset Risk Models	35 Network Asset Risk Metric (NARM) BPDT 36 Network Asset Risk Metric (NARM) BPDT Commentary 36 A NARMs Appendix (ICS)
Aqua	Provided challenge and support to provide confidence that the business cases put forward in four high risk EJPS are robust, compliant with the RIIO3 guidance, and justifiable to Ofgem	7 (IDP) HS007- EJP 9 (IDP) HW009/HW010 - EJP 18 (IDP) Mandatory Programme (incl. Stubs)- EJP 20 (IDP) Non-Mandatory Programme (Iron/Steel) - EJP
Economic Insight	Reviewed CBAs of four EJPs against a checklist developed from Ofgem's Business Plan guidance. A 'line-by-line' review was also undertaken to check that the analysis is being implemented correctly.	8 (IDP) HS007-CBA [HS007] 10 (IDP) HW009/HW010-CBA [HW009/HW010] 19 (IDP) Mandatory Programme (incl. Stubs)- CBA [Mandatory Programme] 21 (IDP) Non-Mandatory Programme [Non-Mandatory mains] 22 (IDP) Mains & Services - Tier 3 CBA [Non-Mandatory mains] 23 (IDP) Mains & Services -Steel CBA [Non-Mandatory mains] 24 (IDP) Mains & Services Tier 2 CBA [Non-Mandatory mains]
Turner & Townsend	Assure our cost component model ensuring assumptions are appropriate and calculations correct	60 Cost Assessment and Benchmarking Approach 60D Mains Replacement Cost Model Assurance report (Turner & Townsend)
Gartner	IT benchmarking review across the sector	59 IT and Telecoms Strategy 59A IT Benchmarking Report
Long O Donnel Associates	Pipeline feasibility studies, engineering studies to determine risk and options for our large pipeline projects.	5 (IDP) LTS Pipelines - General Pipelines- EJP 6 (IDP) LTS Pipelines - General Pipelines- CBA [LTS Pipelines] 7 (IDP) HS007- EJP 8 (IDP) HS007- CBA [HS007] 9 (IDP) HW009/HW010 - EJP 10 (IDP) HW009/HW010- CBA [HW009/HW010]
Economic Insight	Benchmarking analysis using total factor productivity (TFP) data to arrive at estimates for an appropriate ongoing efficiency (OE) challenge for gas networks at RIIO-3.	31 Business Plan Data Templates (BPDT) Master 32 Business Plan Data Templates (BPDT) Commentary Master 60 Cost Assessment and Benchmarking Approach 60B Ongoing efficiency at RIIO-3 (Economic Insight)
Sirio	AI triangulation as per Section 5.3.1 of this document	57B WWU GD3 Triangulation Assurance Document (Siro)
KMPG	Review of systems and processes that WWU has used, and followed, to meet their Governance and Assurance Objectives, as well as ensuring that appropriate challenge is in place around the evidence underpinning the Business Plan.	57 Assurance Statement
Oxera	Various reports.	58 Finance annex 60 Cost Assessment and Benchmarking Approach
Frontier Economics	Various reports	58 Finance annex

## 6. Business Plan Incentive

Ofgem developed a Business Plan Incentive (BPI) framework to overcome information asymmetries between Ofgem and the companies and to motivate companies to develop high-quality, ambitious, Business Plans that embed efficiency and represent value for money for consumers. This section sets out how we have addressed the sections of the framework in our submission.

### 6.1. Stage A- Minimum requirements

Stage A focuses on the completeness of the submission and sets out 11 requirement references that are required to be met on a pass/fail basis. We have set out these requirement references below as per Ofgem Business Plan Guidance <sup>4</sup> and where the evidence meeting them can be found:

Min Req. Ref	Business Plan Area		Document Reference
1	Load And Regional Strategies	Where applicable, the gas network company must provide evidence of how any proposals included in its Business Plan for investment to prepare the network for decommissioning, repurposing for hydrogen or CCUS, or other hydrogen-related costs are justified to be funded through RIIO-3, including explaining why the costs reflect the decisions we set out in the Future of Gas chapter of our SSMD Overview Document	-1 Business Plan Main Document Section 3.1. Supporting Net Zero 3.5 Our Innovation Strategy -55 Innovation Strategy Section 3 Our Network Innovation Approach to meeting Net Zero Decarbonisation
		The network company must develop its Business Plan using FES 2024 Holistic Transition pathway in accordance with the requirements of the relevant sector-specific guidance in Chapter 4 of the Business Plan Guidance.	-1 Business Plan Main Document Section 3.1. Supporting Net Zero
2	Secure and Resilient Supplies	The network company must provide evidence of how its RIIO-3 Business Plan ensures the continued resilience of the network through its non-load related expenditure. This must include plans to effectively manage the impact of asset age and condition, extreme weather events, cyber-attacks and the physical security of its network.	-3-30 IDPs -49 Climate Resilience Strategy -Cyber Business Plan -56 Network Asset Management Strategy
		For non-mandatory repex workload proposals, the GDN must provide evidence that it has considered alternative options and deferral of investment	-3-30 IDP's
3	Managing uncertainty	The network company must provide evidence of how it decided which projects or programs should be included in its RIIO-3 baseline funding request, and which should be subject to an uncertainty mechanism, with reference to cost confidence, the level of project development and delivery implications of seeking later project approval.	-1 Business Plan Main Document -60 Cost Assessment and Benchmarking Approach -32 Business Plan Data Templates (BPDT) Commentary Master
4	Quality of Service	The network company must provide evidence of how its RIIO-3 Business Plan will deliver a high quality and reliable service to consumers and network users, including through the provision of a reliable supply and excellent customer service	-1 Business Plan Main Document Sections 2.2 Outputs and Incentives and

<sup>4</sup> [RIIO-3 Business Plan Guidance](#)

			2.3 Protecting our customers and communities -62 Vulnerability Strategy -56 Network Asset Management Strategy -62 Vulnerability Strategy
		The GDN must provide evidence that its Business Plan has been informed by its vulnerability strategy, particularly in relation to how it will deliver customer service activities and other activities to support consumers in vulnerable situations. The GDN's vulnerability strategy must have been developed and maintained based on engagement with stakeholders.	
5	Environmental Impact	The network company must provide an Environmental Action Plan, in a manner prescribed by the relevant guidance, containing evidence of how its planned activities mitigate the environmental impact of its network. The GDN must provide evidence that it has worked with stakeholders to develop targets to reduce shrinkage by the end of RIIO-3, and the EAP must explain clearly how the GDN will deliver against these targets.	-48 Environmental Action Plan -48 Environmental Action Plan
6	Stakeholder Engagement	The network company must include a summary, using the template provided, demonstrating how it used engagement with key stakeholders (e.g. connection customers, consumer groups, local communities) to inform the development of its Business Plan, and must provide evidence where this engagement has had tangible impacts on the contents of its Business Plan, including (where applicable) where decisions have been taken in a manner contrary to the stakeholder feedback. The network company must include a statement signed by the relevant ISG Chair, in accordance with the requirements of para. 2.10 of this Business Plan guidance.	-54 Stakeholder Engagement and Decision Log -53 Statement from ISG Chair
7	Innovation Strategy	The network company must provide examples and evidence of how its RIIO-3 Business Plan leverages new technologies or innovative practices, including the deployment of solutions, to achieve the overall RIIO-3 outcomes (as set out in the RIIO-3 SSMC para.2.1).	-55 Innovation Strategy
8	Workforce and Supply Chain Planning	The network company must provide evidence through its Workforce and Supply Chain Resilience Strategy of how its RIIO-3 Business Plan meets workforce and supply chain needs and will manage the challenges presented by the energy transition and associated investment requirements	-50 Workforce and Supply-Chain Resilience Strategy
9	Cost	The network company must provide information in their Business Plans on: cost drivers; consideration of options; justification of costs, including proposed profiling of costs. Evidence should be provided showing how the network company produced its cost forecasts, including justification of costs, any considerations of alternative options to the one submitted and why it submitted a certain profiling of costs, especially where the latter deviates from historical trends; and how efficiency improvements and innovation will be delivered to reduce costs and/or add value for money for consumers over the RIIO-3 period.	-60 Cost Assessment and Benchmarking Approach -55 Innovation Strategy
10	Cost	The network company must complete the Business Plan Data Templates (BPDT) and tab by-tab commentary in accordance with the Ofgem BPDT guidance	-31 Business Plan Data Templates (BPDT) Master,-33 (WWU Company Specific) -32 Business Plan Data Templates (BPDT) Commentary Master -35 Network Asset Risk Metric (NARM) BPDT
11	Engineering	The network company must provide Engineering Justification Papers (EJPs) which include the information requested in the IDP guidance	-3-30 (EJPs only)

## 6.2.Stage B- Efficient and justified costs

Stage B assesses whether the costs submitted as part of the Business Plan are adequately justified and efficient using separate methodologies based on whether the cost is bespoke (individual to our network) or comparative (can be compared to the other Gas Distribution Networks (GDNs)). For more information about our costs please see our Cost Assessment and Benchmarking Approach document (60).

## 6.3.Stage C- Quality of the Business Plan

Stage C assess the quality of the Business Plan regarding its overall clarity and the ambition of the commitments contained within it using the Ofgem scorecards. These are split into the **Overall Clarity Scorecard** and the **Business Plan Commitments scorecard**.

### 6.3.1. Overall Clarity

We have set out how we have achieved 'outstanding' in each of the criteria below from the 'Overall clarity scorecard'.

Criteria	Outstanding Justification (currently taken from scorecard)
Overall description for rating	The Business Plan as a whole is presented in a clear and coherent manner with a strong golden thread running through it, as demonstrated by the following criteria:
Layout and structure	Our 100-page main Business Plan document (Document 1) is 5 sections made up of chapters. Each chapter is clearly labelled with numbers and sections differentiated with colour. We have included summaries of each section and added Size18 headers at chapter starts for additional clarity. We have added labels to highlight work that meets Ofgem outcomes which pairs with our Requirements checklist (Document 1A) which outlines every Ofgem requirement and where in the plan or supplementary document this requirement is met. We worked with a graphic designer to amplify clarity of the document
Accessibility and conciseness	All documents and Ofgem-mandated annexes include an acronym key, where acronyms are spelled out in full upon first use in each chapter, apart from the most used acronyms which we highlight at the front of 1. Business Plan. Accessible language is used where possible and technical terms explained throughout our documentation. We have added links and endnotes for further reading and to add clarity.
Relevance of the information provided	All information has been carefully included to explain our track record of delivery, our strategy for RIIO-GD3, meeting Ofgem outcomes, and meeting Ofgem requirements. Our documents have gone through multiple rounds of edits to include the most pertinent information.
Clarity of information that support the demonstration of value to consumers	We have developed icons to represent Ofgem outcomes. These outcomes have been inserted throughout the plan to highlight which outcomes are met by business areas and RIIO-GD3 strategies.
Coherence and justification	Stakeholder engagement is explained in detail in its own Consumer Voice chapter and there is description of the stakeholder engagement carried out within each chapter and supplementary document. Each chapter of 1. Business Plan links to other chapters and strategies, highlighting our coherent and connected Business Plan and supporting strategies.

### 6.3.2. Business Plan Commitments

Throughout our Business Plan you will find all our activities aligned to 17 key commitments that we will deliver in RIIO-GD3. This mapping exercise demonstrates how we have met the criteria set out in Ofgem’s scorecard and was used for testing with stakeholders. This also enables us to demonstrate that commitments are ambitious, they deliver value for consumers, link with what consumers value and are underpinned by a credible needs case and delivery plan.

We are building on our successful RIIO-GD2 initiatives to enhance our support for vulnerable consumers, reliability, and environmental responsibility. By building on the foundations laid in RIIO-GD2, we aim to continue delivering these valued outputs in RIIO-GD3. In addition to our outputs, we have ambitious plans across the business for:

**Customers in vulnerable situations:** a continuation of the funding repurposed in RIIO-GD2

**Environment:** reducing BCF and having a positive impact on biodiversity

**Regional planning:** supporting NESO and RESP development/ambition.

**Data and digitalisation:** supporting the UK wide energy network twin, and to improve quality of analytics.

**Business evolution:** systems and colleague engagement to support readiness of the network.

We tested each of our commitments with 1,401 consumers (1,249 domestic and 152 business) to see if they easily understood the benefits of delivering them and their overall acceptability. The below table shows this information along with where to find further information.

Ref	Commitment	Acceptable for stakeholders	The benefits of this commitment are easy to understand	Further Information
1	Support customers as the UK moves to low carbon heating systems.	91%	92%	62 Vulnerability Strategy
2	Identify and support customers who need more help to stay safe and warm.	95%	95%	62 Vulnerability Strategy
3	Provide an exceptional level of service to WWU’s customers, meeting their expectations.	94%	94%	62 Vulnerability Strategy
4	Minimise both the number of times and for how long gas is off for when we’re working or when there is an emergency.	93%	93%	62 Vulnerability Strategy
5	Keep people and their properties safe by making sure WWU engineers get to all reported gas leaks rapidly.	96%	96%	62 Vulnerability Strategy
6	Maintain a safe and reliable gas network, while upgrading WWU’s gas pipes, actively reducing carbon emissions to support the UK’s environmental targets	95%	95%	56 Network Asset Management Strategy
7	Safeguard WWU’s data against cyber threats and only make it accessible when safe to do so.	94%	91%	38 Cyber Strategy
8	Innovate to speed up WWU’s transition to net zero and improve other areas of the business.	91%	90%	55 Innovation Strategy



Ref	Commitment	Acceptable for stakeholders	The benefits of this commitment are easy to understand	Further Information
9	Reduce how much it costs us to run the business by 0.5% a year, by improving how we do things.	93%	93%	60 Cost Assessment and Benchmarking Approach
10	Help WWU's business and partners leave the environment in a better state when working in an area, such as by offering use of WWU land to community groups	92%	92%	48 Environmental Action Plan
11	Support the ecosystem by planting more native trees in their natural habitat.	95%	95%	48 Environmental Action Plan
12	Reduce its business carbon footprint (the amount of harmful carbon emissions released into the atmosphere) ahead of government targets.	91%	90%	48 Environmental Action Plan
13	Speed up the transition to decarbonisation (net zero), which includes delivering low carbon hydrogen as a substitute for natural gas.	90%	89%	1 Business Plan Main Document, Section 3.1 Supporting Net Zero
14	Increase the amount of low carbon gas that we can transport, which is produced from organic feedstock, like vegetable waste, that would otherwise go to waste.	92%	91%	1 Business Plan Main Document, Section 3.1 Supporting Net Zero
15	Lower carbon emissions by replacing up to 20% of the gas WWU transports with low carbon hydrogen.	92%	91%	48 Environmental Action Plan
16	Attract diverse and talented people who reflect the communities WWU serves, and who have or can develop the skills needed to deliver a net zero network.	90%	92%	50 Workforce and Supply-Chain Resilience Strategy
17	Invest in improving colleagues' knowledge and skills at WWU so it can deliver a net zero ready network.	91%	89%	50 Workforce and Supply-Chain Resilience Strategy

## 7. Board Statement of Assurance

### 7.1. Introduction

This Wales & West Utilities (WWU) Business Plan for 2026-31 is an ambitious and stretching plan. We have confidence this plan will be delivered based on the Company's history as a leading and responsible business with a strong compliance culture in addition to the detailed delivery plans and assurance provided by management. The plan for RIIO-GD3 will see an investment of £2,250m to deliver ambitious outcomes and commitments for customers, wider society and the environment.

Whilst the direction from Ofgem is to not invest in a hydrogen future until there is more policy certainty, the plan ensures that all investment provides value for money for today's and future consumers. We are confident the plan minimises risk of stranded investments and that all investment is complementary to both a hydrogen and decommissioning future.

As a Board, we have ensured that the plan is ambitious - through our involvement in setting overall strategy and by guiding and monitoring the development of the plan including encouraging management to set stretching targets. To support this work, we established a RIIO-GD3 Committee of the Board in 2023, which has to date convened 18 times. Membership includes a number of Directors, including both Sufficiently Independent and Non-Executive Directors. This is in addition to the regular Board meetings, other Board Committee meetings and additional Board meetings specifically to discuss and sign off on the Business Plan.

### 7.2. Assurance process

This statement summarises the Board assurance process, which is an important element of our Business Plan commitment. The assurance covers four areas as required in Ofgem's Business Plan guidance and have all been detailed throughout this assurance process document.

1. Accuracy Assurance
2. Efficiency Assurance
3. Ambition Assurance
4. Customer Interest

### 7.3. Financeability

The Board is satisfied that WWU should be financeable on a notional capital structure basis (using Ofgem's working assumptions and other pre-populated parameters provided) subject to reservations on equity financeability and debt financeability. The Board refers to **Document 58 Finance Annex, Section 6 Financeability Assessment – Notional Company** for the full detail of these reservations, WWU's analysis and considered remediation measures. See in particular section 6.8 Conclusions.

The Board cannot provide assurance that WWU is financeable on Ofgem's actual capital structure basis (using Ofgem's working assumptions and other pre-populated parameters provided). WWU has concluded and advised the Board that Ofgem's Actual Company plan would not be financeable. The primary cause is an assumed level of WACC that is too low and an equity distribution rate that is too low. This is despite measures by WWU and its shareholders to support financeability in RIIO-GD1 and RIIO-GD2, including an equity injection of £344m in 2023, and efficient levels of expenditure in the business and capital structure. The Board refers to **Document 58 Finance Annex, Section 7 Financeability assessment – Ofgem actual company structure basis** for the full detail in respect of this element and WWU's analysis. See in particular Section 7.7 Conclusions.

The Board is satisfied that the WWU Company specific plan detailed in Section 8 of the Finance Annex should be financeable subject to some concerns raised by the Company not resulting in adverse outcomes and that the Draft and Final determinations in 2025 are balanced on overall risk and return. The Board

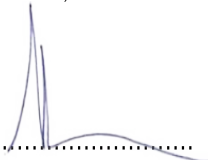
refers to Document 58 Finance Annex, Section 8 WWU - Company Specific Plan for the full detail in respect of this element and in particular section 8.8 Conclusions.

#### 7.4.Closing statement

The full WWU Board has reviewed the assurance work conducted by external third-party expert organisations referenced within the Business Plan, in addition to specific assurance provided by management and WWU Internal Audit function that the Business Plan is deliverable. The Board has reviewed and supports the Business Plan, recognising that it has been fully and effectively assured. We unanimously approve this Business Plan for submission.

The full Board therefore confirms that the WWU Business Plan;

- Is ambitious with stretching targets for both RIIO-GD3;
- Is stretching but deliverable, given WWU's strong performance track record and detailed plans for successfully delivering RIIO-GD3;
- Is expected to enable WWU to meet all statutory and licence obligations, including satisfying the requirements of the HSE, Ofgem and other key stakeholders;
- Is financeable, on WWU's Business Plan basis; it assumes allowed revenues will cover WWU's efficient operating costs, investment and cost of capital, whilst keeping average customer bills as low as possible.

SIGNATURE.....

Andrew J Hunter

Chairman