

Introducing WPD

Fireside chat

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John: So we're going to start our first session this afternoon. And really I'm excited about this. It's an opportunity for me to introduce WPD as part of National Grid to everybody. So I'm sure everybody in this audience is aware that the acquisition of WPD was an incredibly important part of the strategic pivot that we announced in March. And I was obviously delighted when we had the approval from the CMA back in June, but I'm equally delighted to welcome Phil to this stage as the president of WPD. So Phil and I have actually known each other for a very long time. We've both been in the industry, I think, 29 or 30 years. I think I'm 30 he's 29.

Phil: I'm the young one, obviously.

John: So Phil, let's start. Why don't you introduce yourself?

Phil: Hi. Well, as John said, I've been with the company 29 years, almost 30. So I've had multiple roles across the organization. I guess the latter, the last 10 years, I was ops director from 2013 for the four licenses and then CEO/president from 2018. So that's my history.

John: It's a great history to have, Phil. You know how excited we are that WPD is now part of National Grid. And you also were very aware because you were fully involved, of course, in all the potential buyers that were interested in WPD. So I think it'd be great just to share with everyone sort of what was your reaction when you heard that National Grid was going to be the new owners of WPD and how did the organization view it?

Phil: Well, I mean, certainly with any sale acquisition comes a high degree of uncertainty for management and staff combined. And I think when we reached the end of the process, as you say John, with National Grid the successful bidder, I think that was treated with a lot of happiness, if that's the right word. It's a fantastic result for WPD and its staff. If you look at National Grid and you look at the culture and the values, they align with WPD and with the journey we've been on. The vision looking forward in terms of decarbonization that you've just explained in your introduction there, we're aligned on that as well. And then overlay National Grid's world class engineering and safety performance, which is important to all of our businesses as operational businesses.

It's a very good fit for WPD within that organization. The other thing for me is our previous owner, PPL, was a longstanding owner for 25 years with a long term interest in infrastructure assets and doing the right thing. And moving into the Grid group of companies we can see that alignment is there as well. So I think it's a really good result. And of course, as we've known each other, so have our operational teams known each other. And so we've solved a number of challenging technical issues over the years. If I look back to 2015/16, we had a huge amount of renewable generation in the southwest. And it was a combined National Grid/WPD technical solution at minimum cost, that actually dealt with the problem we had in terms of allowing connections to take place. So that's a good track record. And right now, of course, the teams work together on Hinkley to build the infrastructure which will unlock the generation from the new Hinkley sea reactor. So all good stuff.

John: Well, it's certainly nice to hear all that. And certainly in my experience, as I've been getting out and going to all your operational sites and meeting everybody, and certainly the values that WPD have aligned really closely with National Grid. I love that sense of continuous improvement, which is one of our values at National Grid. But one of the things that struck me most of all, I think, when I've been out and about meeting people is just the focus that WPD has on customer service and customer satisfaction. And I know you've got a fantastic track record right through ED-1 and before that. So why don't you just share with us, what is it that sets WPD apart from the other DNOs when it comes to customer service?

Phil: I think the key is having that customer service at the core of our values and our culture. And that's been with us for some considerable time. All of our staff are aligned to doing the right thing for our customers. We recognize that customers actually drive our success. So our success with customers is reciprocated. And when you look at how we operate, for existing employees, any trainees or people joining the organization. We talk about the golden rule, which is basically treat customers the way you'd expect to be treated. And then we've got it right first time, every time. So there are two little expressions we use that people really get. And that's really important that you get that embedded into your culture.

And when we look at our operational field teams, not only do they deliver outstanding customer service, where they're interacting with customers on a daily basis, but we also look to ensure that our corporate functions that sit in the offices take that passion on board as well. And so, as an example, I've used different things over the years. If we've got a storm situation, we typically run with 60 to 80 people who can take customer calls. We can ramp that up to almost 300. And we actually use people who aren't normally in the contact center. So those would be people who sit in our accounts department or in our regulatory department or our employee relations department. They're trained. They are trained on the headset and software about once every six months to make sure that they stay in tune with that. And so not only is that good for outstanding customer service, because that enables us to answer calls within two to four seconds, even in storms. But it also cements the cultural importance of the customer.

John: One of the things that's really helpful though, one of the things I've been quite excited about is how we bring together the sort of the capabilities that WPD has and the spikes they've gotten in performance with National Grid. So what could National Grid learn from WPD when it comes to customer?

Phil: I think it is that right from the get go that the customer is actually driving everything that we do. And as we move forward with decarbonization, never more so is it important. We've seen with COVID as well, even more important that we have reliability. And certainly if we look at our customer satisfaction scores on the independent survey that's done by Ofgem itself, we get 90% scores across the four licenses and that's actually a higher score than the likes of Amazon and First Direct. And in context as well, when 25% of the people surveyed are made up by asking customers who actually had their power interrupted, I think it really is a true reflection on how our staff operates. So I think that's the message we share.

John: One of the things I'm really looking forward to is you're going out to the US, I think, soon to spend some time with our customer.

Phil : Absolutely. And just looking at some of the technology here today shows you that there's a lot to be learned for us.

John: So another area that just jumps out in terms of outstanding performance from WPD is the way that you've performed on the other incentives outside of customers over the last few years. So just tell us a little bit more about how you've gone about doing that.

Phil: Again, it's clarity of leadership and simple processes I think are at the heart of it. So we don't overcomplicate things. We look to try and make things as simple as possible right way through the organization. And so we talked about customer service. If we look at reliability, I could use the Midlands as an example. When we acquired the Midlands, we had something called target 60, it's how many customers you restore within one hour on a high voltage fault. And the Midlands was running at just under 60%. Within three months, that was 70%. And within nine months, that was at 90%. So that's a delta of 30% more customers restored within one hour. And the thing with it is it was the same people. It was the same operational staff delivering that result. And so it was giving people direction and also empowering them to deliver for the customer. And so when we see incentives and those incentives clearly are aligned with customer service, then we really go after them. And incentive based regulation delivers for both entities, if you like. So it's customer gets incredibly good benefits and the company get benefits as well.

John: I can look forward to those incentive performances going forward, Phil.

Phil: Absolutely, John. And clearly we're in discussions now with our ED-2 business plan and through next year, in terms of the incentives that we're looking for in ED-2 and across the wider sector as well.

John: I mean, one of the things I majored on in my keynote speech this afternoon was around just how important the energy transition is and what critical role National Grid is playing. And I know that WPD has been leading the way for DNOs in the UK on distributed system operation and flexibility. So just describe what is it you are up to and what you're doing in that area.

Phil: Well, we were the first to publish a strategy for distribution system operator and then actually to create the core activities. And basically a distribution system operator is... Where it moves on from a distribution network operator is to fully utilize technology to run an active network rather than what was a traditional passive network. And so that allows us to get a lot more connections and different types of connections, particularly renewables onto the network and to be able to cope with those. And so we were the first to do that. We've led the sector on that. We've developed and created a platform that is a contract and dispatch platform. So that's actually being used now by four of the other DNOs. So there's only one DNO that's not using it currently.

So that's about how we've led on that. And the data and digitalization work that we're doing is going to move us forward to the end of ED-1 and to ED-2 to further expand on that. In terms of flexibility, flexibility is actually allowing services to contract onto the network. So it's about managing, but also being able to allow those things to happen where people can actually change what they're doing to deliver a solution to us, which is in lieu of a traditional reinforcement type situation. And we look at those first on all investment, but particularly they're good around marginal issues on the network where basically you can deal with it over short periods of time. We're actually leading on that. So we're over 700 megawatts of contracted flexibility services. And what's really exciting, the last tender round we awarded 250 megawatts of contracts of which 150 was with Octopus Energy on utilizing electric vehicles and the dynamic nature of electric vehicle charging. So that can really help us on our network down at the low voltage end.

John: So that must be definitely the first in the UK and potentially one of the first in the world that's providing that.

Phil: As far as I know it is the first. I've not heard of anyone else actually contracting for that service.

John: Look, I think I should move on and talk about ED-2. So certainly since the middle of June, and I've gone through all the business plans, and I know you've published, I think, three of them, which no other DNO has done. I've been hugely impressed, with the level of detail and the level of stakeholder engagement you've had. But why don't you share with us the sort of key takeaways and highlights from the business plan. I guess it's going to be submitted in a couple weeks' time.

Phil: It goes in on December the first. As you say, it's the fourth iteration, which we're the only company to have done that. And we've involved... I think we're up to 25,000 stakeholder engagements now. It was 19,000 up to business plan three. And the key thing is to create that plan with your stakeholders. That was a really important part of Ofgem's requirement to actually meet the threshold on the business plan. And I think we've demonstrated that. And there are four main areas I'd focus on in the business plan that goes in. So the first would be connectability. So it's actually about how we are looking to enable those new connections, particularly for electric vehicles, heat pumps, and renewable generation to connect to our network. Between now and 2028, we're looking at an additional 1.5 million EVs, take that up to two million in total. 600,000 heat pumps and additional 2.6 of gigawatts of renewable generation, which is enough at peak output for a couple of million homes. So these are big ticket items in terms of decarbonization, and that's a real core plank of our business plan is that people can connect when they want to connect. Sustainability is another very important part, so a big chunk of sustainability is driven by those connections because those are renewable connections. But it's also about our own emissions as a business, and as you said, we're heavily focused on scope one and scope two and a science-based target at 1.5 degrees in the business plan.

Secondly vulnerability, so this customer vulnerability has always been at the center, again, of WPD's philosophy. And so we're expanding upon our really good ED-1 vulnerability measures to give more customers access to things not necessarily from WPD directly, but we utilize partner agencies to provide access to other forms of supports that may be in terms of energy reduction measures in the house. So energy efficiency, insulating lofts and walls. But also advice to switching suppliers, and other access for our local authorities. Because quite often local authorities will have pockets of funding that customers don't know about unless you point them in the right direction. So that actually generates some huge benefits to the customers on WPD's network. And then finally, affordability. In terms of our investment going forward, it is a 28% increase in investment in ED2, in terms of a run rate from ED1, but we're holding bills pretty flat. So again, affordability is really important. People have to be able to have their energy and be able to pay for it.

John: I want to come back to one element of it, Phil. I've just spent much of the last two weeks at COP up in Glasgow, and it was clear that there's a huge amount of political will to accelerate green investment. So just share with us, what's the green investment that's going on within that business plan? I think you referenced a few things around EVs and heat pumps, for example.

Phil: Yeah. I mean, it's the whole package, John. I mean, moving forward with COP is fantastic news. I bring that back down and distill it into the nuts and bolts of WPD. And so the way we deliver and facilitate the delivery of the decarbonization areas are the ones I've alluded to. And we're also doing rapid charges on motorway services. And so it's going to be National Grid transmission or WPD distribution in our service territories, and also working very heavily with local authorities and other major energy users on how we can help them design what they need to deliver their own decarbonization. So that's in addition to the things I spoke about. A lot of data and digitalization effort is going into that as well. So, to run a smarter network and use those flex services, allow those connections. The more we really understand the two-way power flows and absolute time of use information is key going forward. So those are things that we're pushing forward on.

John: What is the investment for? You talk about increasing EVs to two million, I think by the end of ED2. And you talk about 600,000 heat pumps. But what's the investment you actually have to make? Just describe for us what that looks like.

Phil: Yeah, well if you look at a typical household and a typical EV going forward, they actually use about the same amount of energy. So for every EV that connects to our network, you're effectively building another house in terms of energy consumption. And so what that needs is, that leaves us to replace low voltage cables, potentially in the ground. Change transformers. And then through the voltage levels it has different impacts. Certainly as a distribution business, we're obviously as close as you can get to the customer, because we come to the doorstep. And we actually find the diversity amongst customers gets less and less as you go down the voltage level, so the impact is higher. So it's going to be lots of work, very much in the vicinity of our customers. So again, that's where customer service is really important.

John: And what about heat pumps, is that similar levels of investment?

Phil: Well, yeah. I mean, heat pumps in terms of energy use will be even higher again. And so the impact of heat pumps could be dramatic, and so that's something that we really need to understand through ED2. And is going to present, I believe, further capital opportunities in ED3 and beyond. Obviously the government have set a deadline of, I think, 2026 now to make a final decision on exactly the heat strategy going forward. But what we do know is that we're going to see some significant increases in load.

John: Yeah. Okay. I want to stay on ED2. We've got a couple of weeks left before the business plan goes in, so just give us a flavor of the conversations that are going on with Ofgem. How's the relationship? How confident are you that we can continue to get an appropriate return for the investments that are going to be needed to support the energy transition?

Phil: Yeah, but we've got really good working relationships with Ofgem. So whether that's, Jonathan Brearley, Akshay Kabul the director of networks, or the wider operational teams. And I think that working relationship is fostering. I think you foster the right outputs, the right outcomes. And I think that is important. I met Martin Cave this week. Martin Cave is the chair of Ofgem. And it's clear to me in those discussions that we are very much aligned on what needs to be done from a decarbonization viewpoint. But what's also important is when we submit our plan that it's a well justified business plan. And so that's what I've been talking continuously, it seems, for some time now to the senior regulatory team is in terms of this plan is well justified. It's stakeholder supported. And we've done more work than anyone in terms of local authority engagement as well.

So we really understand the local authority's net zero ambitions and the speed with which they want to go at. But it's about responsible business operation, having the customer at the core, and understanding vulnerability and fuel poverty as well. So those things are all there. So I think we're in a really good position. I think our business plan is well justified. And I hope, as per ED1, it went through, we get a good outcome.

John: Yeah. Well, I'm certainly pleased to hear that they're aligned in terms of what we're trying to do around net zero. I think that's so important.

Phil: Yeah. And I think... Sorry. I think just one other thing. It's clear the message is there in terms of the financial package as well. It's a fair bill impact, but also a fair return for the organizations.

John: I'm conscious of time, so I'm going to ask one more question, and I'd let you get off the stage. We talked a lot about the future of distribution networks and the system operator. You talked about the standup performance of WPD. But why don't we end by, why don't you just talk and share a little bit, what do you see the benefits for consumers of WPD being part of National Grid going forward? Perhaps an example.

Phil: Yeah. I mean, we've talked a lot about customer service. And I think that if we look at National Grid as a whole, I think WPD can help some of the other parts of National Grid in terms of customer service focus and simple processes. And then if we look at the engineering that National Grid brings to the table, and the innovation as well. I've been able to see some of the really innovative ways that National Grid in the States and the UK have approached technical challenges, it's a different way of looking at things.

I think both organizations share some really, really good innovation teams, so we can definitely harness that availability from there. And if you look at a simple example, the robot outside that I'm sure everybody's avoided, as it looks like a Terminator or something. But the robot out there, that kind of application we may have use for. And we've looked at vegetation management as well, so there's a lot of challenges on the vegetation management. And so anything that we can do to drive more efficiency in that, and that's something we know that the US operations have got some really good algorithmic learning and data processing capability that we believe we can foster. I think there's going to be some good sharing of best practice.

John: Yep. Well, I'm really looking forward to it. I'm excited. I've always said, the benefit of National Grid is the ability for different businesses to share best practice. And now with WPD being part of National Grid, I'm excited about what WPD can teach National Grid in another parts of the business and vice versa. We've run out of time, I'm going to say thank you for now. Later on this afternoon we've got a broader Q&A session, so Phil will be back and you'll be able to ask him some questions. But for now, I'm going to hand over to Andy Agg.