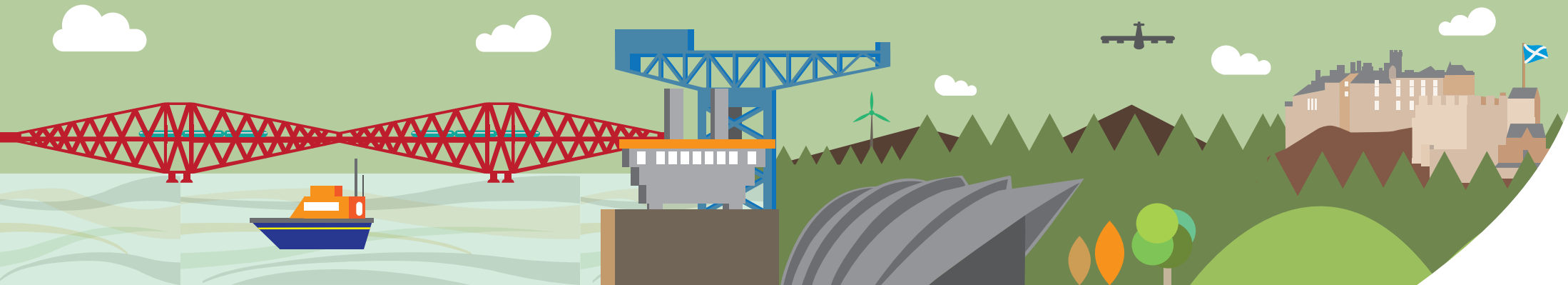


SP Energy Networks 2013-2014

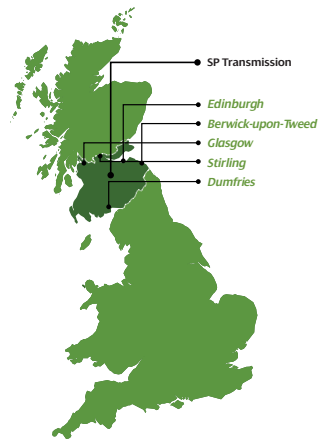
Electricity Transmission
Stakeholder Engagement
Submission Part 1





Our engagement strategy: CEO Statement

Our transmission network is playing a key role in the transformation to a low carbon energy sector. We are connecting unprecedented volumes of renewable generation, and increasing transfer capacity to help get these new sources of generation to market.



We have developed high-quality plans to meet this challenge. This is recognised in Ofgem’s decision to “Fast-Track” our 2013 to 2021 business plan. It demonstrates Ofgem’s confidence that we are delivering what our stakeholders value, at efficient cost. Now we are successfully delivering against that plan. I firmly believe that our approach to stakeholder engagement has played, and is continuing to play, a critical role. We are planning and delivering well because we are engaging better.

I am therefore delighted to take this opportunity to showcase our stakeholder engagement activity, and how we plan and manage it. This is first part of a two part submission. It focuses on explaining our strategy for engagement, and how we implement and manage it within the business. The second part of our submission presents a portfolio of examples of outcomes that the strategy is delivering for the benefit of our business and our stakeholders.

Our approach to stakeholder engagement is simple. We are accountable to the communities and businesses we serve – and we engage in order to keep people informed, and to gather views and test ideas such that we can make better decisions, and a bigger contribution to those communities and businesses.

We articulate this approach through our strategy. This document is refreshed annually and approved by me and my Executive Team. It is the reference point for engagement activity by all parts of the organisation. We have developed our strategy significantly over the past 12 months, building on what we learned and what our stakeholders told us.

We have a common strategy across transmission and distribution – but tailor the activities to recognise important differences. In transmission we have a small number of very large users (such as Hunterston nuclear

power station, and Network Rail). In distribution, we have a wider range of users – including 3.5 million households.

In the material that follows we explain our approach in detail, and explain why we have confidence in it – including how we have used independent assurance to test and challenge our approach. To draw out some highlights from this year’s submission that illustrate the improved rigour of our approach:

- Implementing our Internal Stakeholder Action Group, with senior managers from across the business – giving them and key enthusiasts in their teams training on stakeholder engagement – supported by an external expert stakeholder practitioner. This gives a strong internal governance layer for consistent approach and application.
- Implementing our Stakeholder Panel concept, after testing at two external workshops – and informed by expert independent advice. This adds an additional strategy layer to test and challenge.
- Analysing and acting upon gaps. We formed our Social Issues Working Group, to improve how effectively we work with organisations such as Energy Action Scotland.

Our track record in delivering tangible benefits through stakeholder engagement gives us confidence that our approach and strategy are effective. This has been endorsed through independent assurance. Further, the greater structure and formality we have implemented this year also provides a solid foundation for improvement.

Frank Mitchell
CEO, SP Energy Networks

	Transmission (Central and Southern Scotland)	Distribution (Central and Southern Scotland + Merseyside, Cheshire, N Wales, N Shropshire)
Cable length	4,300km	105,000km
Substations	130	30,000
Connected Customers	37 <small>e.g. major electricity users and large generators</small>	3.5 million <small>e.g. homes, businesses, industry and distributed generation</small>
Stakeholders	400	2400

Independent stakeholder engagement opinion (DNV GL)

“SPEN has continued to update its stakeholder engagement strategy to ensure alignment with business objectives. The strategy contains a clear aim, defined benefits for both SPEN and stakeholders as well as engagement priorities for both Transmission and Distribution stakeholders.

Improvements were observed in the updated stakeholder engagement strategy in 2013, particularly related to the incorporation of pillars of SPEN’s strategy, and the inclusion of the feedback loop within the pillars, which was identified as an area for improvement last year.

There is a clear governance structure defined within the strategy, as well as processes for ensuring stakeholder engagement priorities are still valid. A process has also been established for embedding the strategy within both Transmission and Distribution businesses, which recognises the inherent differences between these parts of the business. The formation of the cross-functional internal stakeholder action group (ISAG) is a key part of the governance process.”



Our engagement strategy: Overview

The cornerstone of our stakeholder engagement activity is our strategy document. This provides guidance to all staff on priorities for engagement, approach and tools for engagement activity. It is owned by the SPEN Executive Team and was published on our website in 2013 to provide transparency with our stakeholders. The latest revision to the strategy - building in learnings from assurance, reflection and other organisations - was approved in March 2014.

The seven pillars of our strategy

Data

A single, centrally managed database of stakeholders – mapped to categories, and ready to be integrated into our new CRM platform

	Group 1
1	National Government
2	Local Government
3	Business (I & C)
4	Housing
5	Generation
6	Interest Groups
7	Delivery Partners
8	Planning
9	Social
10	Future Networks
11	Academic Institutions
12	Industry Players
13	Finance

Tools

Templates for planning and recording, good practice examples, training – centrally managed



Plan

Central – built to focus on material and strategic issues identified with and by our stakeholders

TRANSMISSION BUSINESS

STRATEGIC ENGAGEMENT PRIORITIES:

Service

Connecting to the network

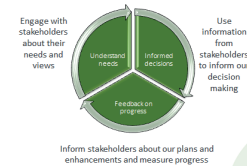
Investment

Environment

Supply chain

Feedback

A range of channels to communicate findings and track / demonstrate impacts. Internal and external accountability through recurring activities.



Inform stakeholders about our plans and enhancements and measure progress

Consumer Futures



Resources

Steered by senior management team, core central team supporting teams. Complemented by external expertise and challenge



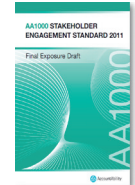
Governance

Strategy owned and advocated by senior management team – regular review meetings. Progress tracked through range of management information



Assurance

External assurance used to support governance model, and identify strengths and weaknesses



How we give practical effect to our strategy

- Use high-profile stakeholder survey and events to identify and test priorities.
- Core central team of specialists to support/challenge delivery by teams – additional advisory and challenge function through new key stakeholder liaison forums for two major new infrastructure programmes and Social Issues Working Group.
- Use a tracking log to record feedback from engagement activities and associated actions.
- Growing range of tools and guides being rolled out, including engagement training for 22 managers this year.
- Re-focusing of assurance work this year – away from regulatory compliance, towards quality of engagement.

Governance and development

- Monthly Internal Stakeholder Action Group (ISAG) – 12 senior managers, chaired by Stakeholder Manager.
- Monthly reporting and tracking report to Executive Team.
- Stakeholder panel concept tested at two external workshops, and now implemented. The panel adds an additional strategic layer to engagement; developing and challenging our plans and methods.
- Targeted use of independent advice, e.g. to support consultation on stakeholder panel. Also with use of appropriate subject expert on peat project.
- Regular use of set-piece events to test/challenge progress in response to feedback, e.g. at our annual connections summit for those affected by connecting to our network.

Documents providing evidence

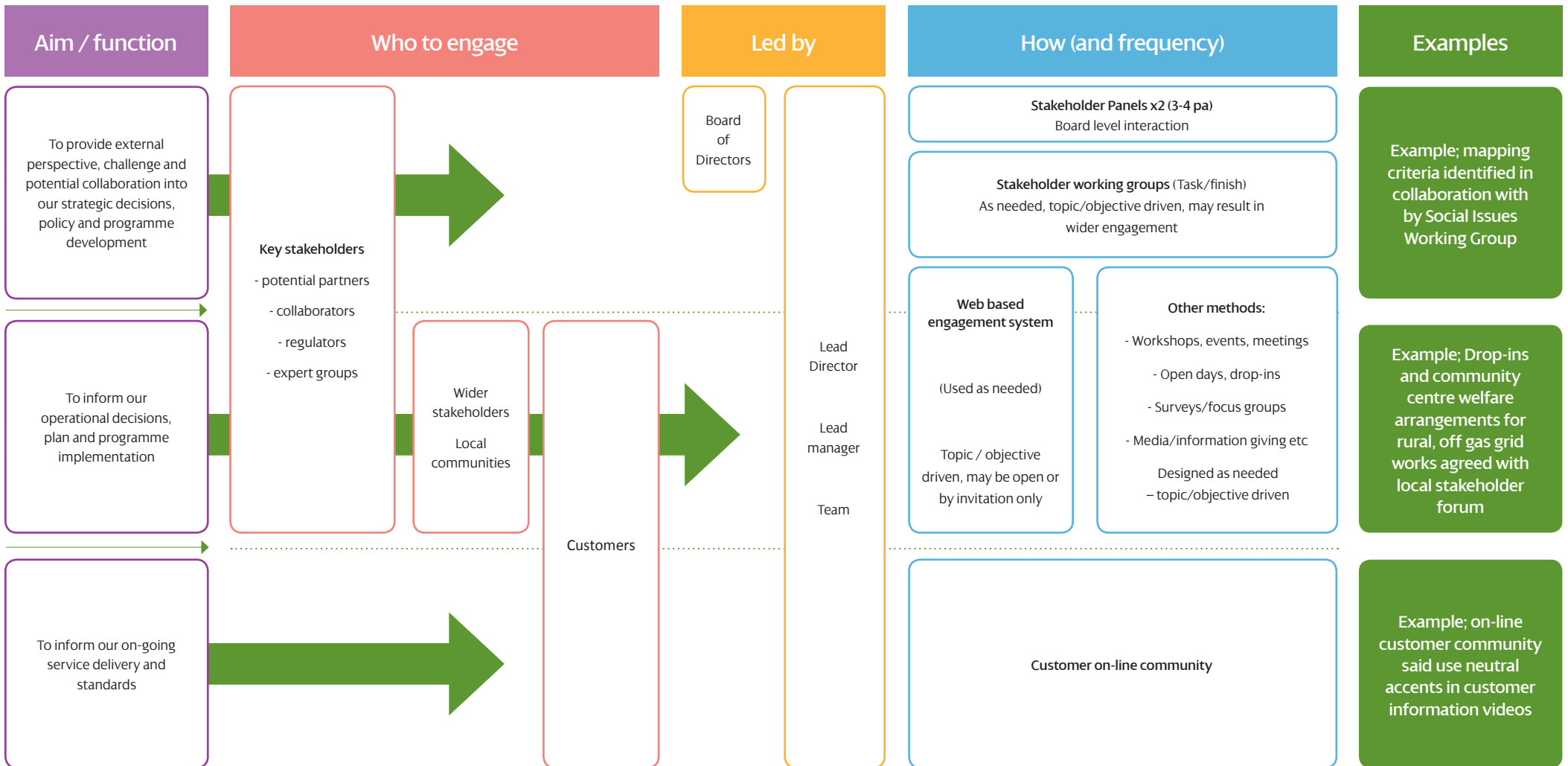
- Strategy paper (+11 appendices) – demonstrates our business-wide approach
- Stakeholder survey (extract) - demonstrates how we test and validate our engagement priorities annually.
- Engagement plan (extract) – demonstrates central engagement activity, maps to engagement priorities.
- Monthly report (example) – demonstrates how we record and report on engagement to senior management.
- Tracking log (extract) – demonstrates how we capture feedback and actions.
- Training scope - demonstrates the training course outline, aims and objectives.
- Independent stakeholder engagement opinion - DNV GL opinion on our approach to stakeholder engagement using AA1000SES standard.



Our engagement strategy: How we design our engagement

The way we design our engagement is a product of the purpose of the engagement, i.e. the form of engagement follows on from the function of the engagement. Three discreet layers reflect the aim/function of the engagement from strategic challenge down to day to day service. The aim/function layer maps across to who we want to engage, who has responsibility for leading that engagement in SPEN and finally what mechanisms we use to approach that engagement.

Form follows function approach to engagement





Our engagement strategy: Helping our stakeholders stay informed

A key element of our strategy is about keeping our stakeholders well-informed about what we are doing and how it might be relevant to them. We use a combination of methods - general and specific, and for various levels of interest, engagement and knowledge. We collect data on all the channels we use, which helps us develop and refine our approach going forward.

What we do

Events

- A wide range of general and issue-specific recurring events to keep our stakeholders informed, for example annual stakeholder event for those connecting to the network, regional forum for developers in South West Scotland, Green Network community drop-ins for visual mitigation, conference presentations.

Publications

- An annual stakeholder newsletter which demonstrates impact of stakeholder influence over plans and policies and e-bulletins on specific issues

during the year e.g. new sustainability strategy.

Social media

- Launched Facebook and Twitter channels this year, timed to align with awareness campaign to maximise following. We post or tweet a new awareness-raising topic every day e.g. investment updates, job opportunities, approach to sustainability.

Website

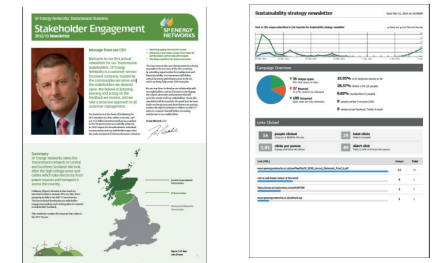
- "Have your say" area of website, with library of clearly-signposted material and mirrored structure for Distribution.

Events



Scottish Renewables tweeting about our presence at their annual conference

Publications



Stakeholder newsletter

Analytics report for sustainability strategy e-bulletin

Why we have confidence in what we do

- Level and range of events – annual connecting to the network summit for 30+ attendees, recurring geographic specific forum for 11+ developers in South West Scotland (3/4 pa), quarterly key stakeholder liaison meetings for new major infrastructure projects (2 major developments).

- Level and range of publications – stakeholder facing sustainability strategy, post stakeholder event presentations, stakeholder newsletter, press releases, tweets/posts.

- Range of materials on our website – full transparency of event material with presentations on-line,

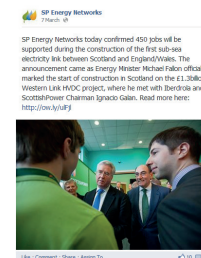
project specific web pages providing latest updates, stakeholder survey findings.

- Use of analytics tools to understand how successful our electronic updates are e.g. 23% opened our e-mail about our sustainability strategy and 29% of those clicked through to view the document.

- Use of feedback data - e.g. annual stakeholder survey identified social media as important, but primarily as tool for raising general awareness rather than as an engagement tool.

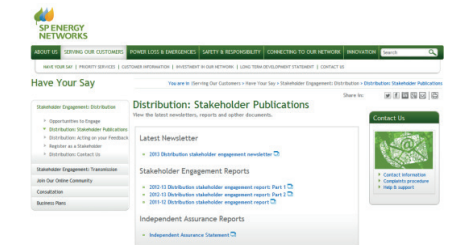
- Positive feedback on use of Twitter and Facebook – 290+ stakeholder followers since launch in Dec 2013 and 1,200 individual followers.

Social media



Facebook post on new HVDC related jobs

Website



Refreshed stakeholder area on website - publications section

Documents providing evidence

- Stakeholder newsletter – demonstrates one method of keeping around 400 stakeholders informed.
- Twitter example – demonstrates how we promote our engagement activity with stakeholder following of 290+.
- E-bulletin on sustainability strategy – demonstrates how we keep around 400 stakeholders informed.

Independent stakeholder engagement opinion (DNV GL)

"Several examples were seen across the business of how methods of engagement were being tailored to suit the needs of stakeholders such as the provision of audience response voting and SMS as a means of feedback at the service partner event and

the social obligations working group, convening a cross section of stakeholders and SPEN staff to plan the way forward on social obligations."



Our engagement strategy: Maintaining a broad and inclusive range of stakeholders

What we do

- Maintain a single, unified database of stakeholder contacts. integrate into our new Customer Relationship Management (CRM) platform.
- Establish multiple routes to update data and use new technology – issue e-bulletins with new tool to allow stakeholders to update data independently, where appropriate.
- Regularly review how we categorise and added how we prioritise – to help identify gaps, and to help target engagement.
- Management and analysis of stakeholder data across Transmission and Distribution ready to
- Take targeted actions to address gaps or weaknesses – this year focusing on expanding the successful key stakeholder liaison meetings that we learned were useful for major infrastructure projects.
- We seek to have senior management presence at industry conferences and other network company events to make ourselves available to harder to reach stakeholders.

Why we have confidence in what we do

- We have updated our database and added 170 new stakeholders since 2013. we have received 30+ applications from community groups keen to develop visual mitigation projects.
- We have reviewed and updated our stakeholder categories, increasing from 4 to 13 to better target engagement.
- We are using independent experts to help us map, prioritise and categorise our stakeholder data – to complement, and help develop our own skills.
- We have formed a Social Issues Working Group, to formalise our collaboration with Energy Action Scotland, National Energy Action and Consumer Futures.
- We have been more accessible to our stakeholders, presenting at and having drop-in stands with senior management presence at industry conferences and working groups e.g. Scottish Renewables annual conference, National Grid's Customer Seminars (London & Glasgow) making ourselves available to harder to reach stakeholders.
- We are successfully identifying and engaging with new stakeholders, e.g. through our Green network community drop-in sessions around work in Stirling

Documents providing evidence

- Stakeholder database (extract) – demonstrates how we manage contact details. combined stakeholder categories for Transmission and Distribution.
- Stakeholder categories – demonstrates the new stakeholder prioritisation (extract) – demonstrates prioritisation of stakeholders.

Our strategy would not be complete if there were systematic gaps or "blind spots" in the range of stakeholders we inform or engage with. Our strategy focuses on maintaining and extending the scope and depth of our engagement. This is particularly important given the growing range of network users, and the growing emphasis on social and environmental considerations.

Illustrating what we do

Group 2	Group 1	Ranking
NATIONAL GOVERNMENT		
UK Government	DECC	1
	HM	2
	Environment Agency	3
Welsh Government	Natural Resources Wales	4
	-	5
Scottish Government	SEPA	6
	Emergency planning	7
	Energy Consents Unit	8
Political	MPS	9
	MSPs	10
	AMs	11
Regulator	Ofgem	12
	Ombudsman	13

Extract of prioritisation mapping

High interest / high influence	High Interest	High Influence
Low interest / Low influence	Low Interest	Low Influence
Low interest / High influence	Low Interest	High Influence
High interest / Low influence	High Interest	Low Influence

Key for prioritisation mapping

Group 1
1 National Government
2 Local Government
3 Business (I & C)
4 Housing
5 Generation
6 Interest Groups
7 Delivery Partners
8 Planning
9 Social
10 Future Networks
11 Academic Institutions
12 Industry Players
13 Finance

Combined stakeholder categories for Transmission and Distribution



Community drop-in material



Reaching out to stakeholders at conferences

Independent stakeholder engagement opinion (DNV GL)

"Various initiatives were undertaken by SPEN in 2013 which served as useful tools to ensure material issues for stakeholders are captured. These included stakeholder engagement events organised by SPEN, convening panels such as the social obligations working group and the formation of the internal stakeholder action group. SPEN's focus on this area has increased over the past year.

A notable improvement in 2014 was the identification of relative priority of each stakeholder group for the business based on a stakeholder mapping exercise.

The prioritisation exercise resulted in the formation of specific working groups for particular stakeholders, which is a positive improvement."



Our engagement strategy: Using the right mix of engagement mechanisms

We recognise that effective engagement requires the commitment of time and effort from our stakeholders - and we can help (or hinder) by how we design engagement. We put great emphasis on tailoring our engagement tools to fit the needs of different stakeholders. We also explore and adopt new technology to help us do this.

What we do

- A systematic approach to assessing the nature of engagement – based on numbers involved and intensity of engagement required.
- A centrally-managed process for planning how we engage, and tracking how we use the feedback generated through engagement.
- A toolkit for staff – designed to promote consistently high-quality decisions on how to design engagement, made readily available through our intranet and reinforced through training.
- Expand the range of engagement mechanisms we use, and review their effectiveness e.g. using KPIs to monitor progress in connection offer delivery and reworking the stakeholder area of the website to mirror structure in Distribution area.
- A centrally-managed process for documenting and communicating examples of good practice within the business

Why we have confidence in what we do

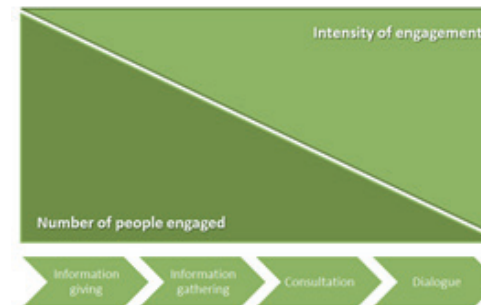
- We have a growing number of successful examples of using a diverse and tailored set of engagement mechanisms e.g. market research on stakeholder views and priorities, regional specific forums tailored for groups of developers, annual event for all parties affected by connections, community drop-in sessions for visual mitigation projects.
- We have trained 22 senior managers on stakeholder engagement, the spectrum of engagement and use of the toolkit to plan engagement.
- We have produced 11 stakeholder engagement case studies illustrating the breadth of engagement mechanisms on the spectrum.
- We have positive feedback from stakeholders on the changes we are making to how we engage, and more stakeholders are getting involved as a result.
- Our toolkit for supporting engagement planning and recoding is available to all staff on the intranet.

“They host forums e.g. special users by SWS collector. Focussed user group forums are beneficial”
Stakeholder survey 2013

Documents providing evidence

- Engagement tool kit (web extract) – demonstrates what tool kit includes and availability to all employees.
- Stakeholder Engagement Case Study (example) – demonstrates how we raise employee awareness of mechanisms across engagement spectrum.
- Engagement planning (example) – demonstrates how engagement planning element is used.

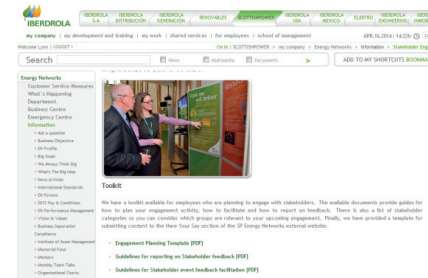
Illustrating what we do



Engagement spectrum diagram



Applying the engagement spectrum to our activity



Engagement toolkit on internal website



Community drop-in session on visual mitigation

Independent stakeholder engagement opinion (DNV GL)

“A number of new engagement tools and systems have been implemented by SPEN in 2013, which are facilitating a more co-ordinated approach to stakeholder engagement across the business.

Improved engagement mechanisms and tools included monthly summary reports to the Executive Team on engagement, the engagement plan, the stakeholder engagement toolkit and the stakeholder engagement action log (tracker).”



Our engagement strategy: Ensuring that stakeholders have an impact

We engage so that we can make better decisions, and demonstrate accountability to the communities and stakeholders we serve. A key element of our strategy is to "close the loop", by making sure that our engagement activity has demonstrable impact on the decisions we make. And that we review how this happens, and how we can improve it, on an ongoing basis.

What we do

- We plan and deliver high-quality engagement activities and hold ourselves accountable at a senior level, internally and through external events and publications.
- Our Executive Team tracks impacts through the "you said, we did" management report and action tracking log.
- We reinforce this at a working level through our Internal Stakeholder Action Group.
- We use recurring engagement in our annual engagement plans to hold ourselves accountable externally, and use data to improve the detail provided.
- We are adding an extra strategic layer to this accountability through the formation of a stakeholder panel for our activities in Scotland; the design has been informed by stakeholder views.
- We address gaps to ensure that we are inclusive in the range of stakeholders that have an impact, e.g. through attendance at external events we are taking ourselves to our harder to reach stakeholders.

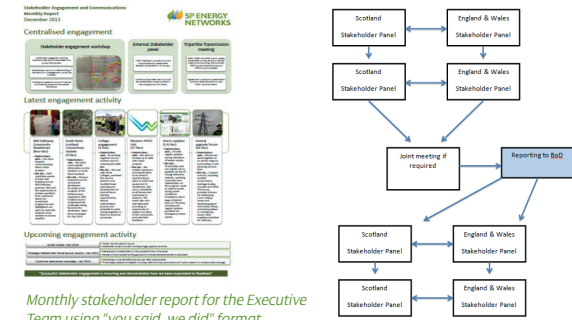
Why we have confidence in what we do

- We have robust processes in place to track impacts – "SPEN has increased its focus on feedback loops in 2013 to address this issue, and has included this as a key pillar within its strategy. The stakeholder engagement action log (Tracker) has been established and is an important tool in supporting responsiveness to stakeholder views." *extract from independent assurance opinion (DNV GL).*
- We have a growing and diverse track record of impacts,
 - new social media channels to proactively raise awareness of what we do in environment and social context
 - Significantly reduced lease timescales in our new land rights policy (reduced from 99 years to mirror project lifetime)
 - Instrumental in helping Scottish Government to define wayleaves process to bring clarity and timelines to decisions on land rights
 - Protection of peat land by relocating it to other areas of the site with advice from renowned peat expert,
 - Consolidating communications material across a number of organisations so that Hunterston community got the full picture of the impact for their community
 - Key stakeholders in a better position to plan their resources on two new major infrastructure projects due to formation of the key stakeholder liaison forums.
- Demonstrating that we are using data to improve quality of information provided to stakeholders, e.g. annual survey driving joint actions between us, National Grid and SSE to improve service to customers.
- Investing in and developing systems and processes to make us even more demonstrably accountable going forward, e.g. from 2014/15, stakeholder engagement activity will be recorded in our new Customer Relationship Management System (CRM) – enabling richer analysis of themes, trends and gaps.

Documents providing evidence

- Monthly report & Executive Team Agendas – demonstrates that stakeholder engagement reviewed at highest level.
- Regional stakeholder panel brief - demonstrates how we have responded to feedback on developing the panel.
- Internal Stakeholder Action Group (ToR) – demonstrates senior manager accountability.
- Consultation on land rights policy – demonstrates how we've used feedback to develop a new policy and consulted on that new policy.
- Tracking log (extract) – demonstrates how we capture feedback and actions.

Illustrating what we do



Monthly stakeholder report for the Executive Team using "you said, we did" format

Regional stakeholder panel diagram



HVDC – Westernlink – community newsletter

DATE	ACTIVITY	IMPACT	STATUS
2013-05-15	Stakeholder engagement meeting	...	Completed
2013-05-15	Stakeholder engagement meeting	...	Completed
2013-05-15	Stakeholder engagement meeting	...	Completed
2013-05-15	Stakeholder engagement meeting	...	Completed

Tracking log

Independent stakeholder engagement opinion (DNV GL)

"Responding to stakeholders on relevant and important issues, concerns and impacts and tracking responses is a vital part of effective stakeholder engagement and plays an important role in determining the effectiveness of engagement. SPEN has increased its focus on feedback loops in 2013 to address this issue, and has included this as a key pillar within its strategy.

The stakeholder engagement action log (Tracker) has been established and is an important tool in supporting responsiveness to stakeholder views."



Looking to the future: Taking our strategy forward

This year we have worked hard to implement our new stakeholder engagement strategy, embedding it into our business and ensuring it has resulted in real and tangible outcomes. Looking ahead, we recognise there is still important work to be done – responding to new assurance recommendations and external feedback – and making sure the strategy is embedded throughout the business, providing more stakeholders with an opportunity to directly influence decision making.

External stakeholder panels and working groups

- Our two regional external stakeholder panels will run one full cycle in the next year. We anticipate there will be an opportunity to evaluate the success of the panels, considering both the value for our stakeholders and the value for our business. A key test of the success of this approach will be the ability of the panels to directly influence board level decision making.
- The new Social Issues Working Group will continue to meet; working to identify the top geographic areas for deployment of social initiatives and helping us to develop a specific local approach, with input from stakeholders local to the communities we identify.
- We will continue to test and confirm stakeholder priorities through the annual stakeholder survey and use the panel to test and challenge the findings.

Deploying tried and tested methods

- Taking our innovative approach to proactive engagement with all renewable developers in South West Scotland and using this same approach in our 132kV network in the England and Wales distribution area.
- Continuing our new approach to public safety awareness, expanding our presence at key rural shows with high footfall.
- Expanding the approach to target the construction industry where data shows this is a key audience.
- Taking learnings from previous engagement with supply chain across both Transmission and Distribution to shape new proactive engagement with suppliers.

Internal processes

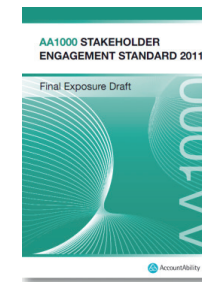
- We will expand our stakeholder engagement toolkit; using the expertise of an external expert practitioner to help develop additional materials to be made available to employees and work to continue to embed a consistency of approach right across the organisation.
- We will use the output from the prioritisation mapping exercise to further improve the focus of our engagement and direction of resources – with the help of the Internal Stakeholder Action Group.
- We will consolidate our spreadsheet based database and tracking log and further improve as we work towards the implementation of a new CRM system.

External assurance

- Based on the recommendations made to us by DNV on our approach to stakeholder engagement (using AA1000SE the standard as reference point), we will make changes in response to the points raised.
- We have identified a need to move away from an annual assurance process to a more regular review; potentially the adoption of regular evaluation by an external body in a similar manner to that being adopted by the public sector.

Illustrating what we do

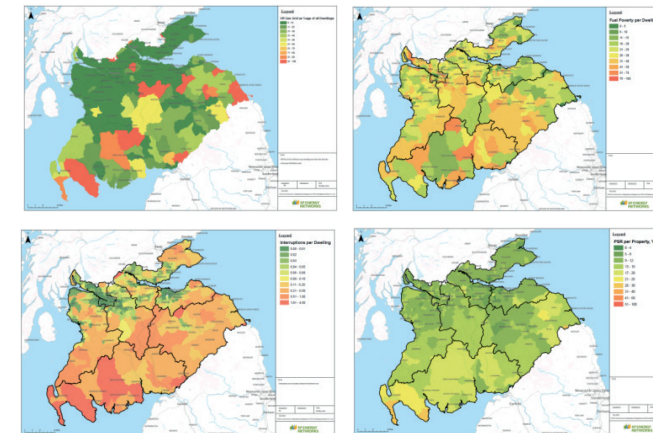
AA1000 Stakeholder Engagement standard



Excerpt from Community engagement matrix

High impact	Medium impact	Low impact
<p>High impact stakeholder groups and issues</p> <ul style="list-style-type: none"> • AA1000 Stakeholder Engagement Standard • AA1000 Stakeholder Engagement Standard • AA1000 Stakeholder Engagement Standard 	<p>Medium impact stakeholder groups and issues</p> <ul style="list-style-type: none"> • AA1000 Stakeholder Engagement Standard • AA1000 Stakeholder Engagement Standard • AA1000 Stakeholder Engagement Standard 	<p>Low impact stakeholder groups and issues</p> <ul style="list-style-type: none"> • AA1000 Stakeholder Engagement Standard • AA1000 Stakeholder Engagement Standard • AA1000 Stakeholder Engagement Standard
<p>High impact stakeholder groups and issues</p> <ul style="list-style-type: none"> • AA1000 Stakeholder Engagement Standard • AA1000 Stakeholder Engagement Standard • AA1000 Stakeholder Engagement Standard 	<p>Medium impact stakeholder groups and issues</p> <ul style="list-style-type: none"> • AA1000 Stakeholder Engagement Standard • AA1000 Stakeholder Engagement Standard • AA1000 Stakeholder Engagement Standard 	<p>Low impact stakeholder groups and issues</p> <ul style="list-style-type: none"> • AA1000 Stakeholder Engagement Standard • AA1000 Stakeholder Engagement Standard • AA1000 Stakeholder Engagement Standard
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Social obligations working group mapping



Independent stakeholder engagement opinion (DNV GL)

"We encourage SPEN to continue pursuing opportunities for improvement in 2014 based on our recommendations."



**SP ENERGY
NETWORKS**