



RIIO T1

Stakeholder Engagement Strategy

1. SCOPE

The new RIIIO regulatory places a strong emphasis on customer satisfaction and stakeholder engagement. This paper describes the strategy SP Transmission Ltd will employ to achieve excellent, continually improving engagement with our stakeholders.

2. ISSUE RECORD

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Issue Date	Issue No	Author	Amendment Details
2 June 2011	Draft 1	Alan Kelly	First Draft
Nov 2011	SPT_Upd_5	Alan Kelly	Second draft
Jan12	SPT_Upd_6	Alan Kelly	Minor changes for Issue

3. ISSUE AUTHORITY

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4. REVIEW

This document shall be reviewed as dictated by business or organisational change

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5. EXECUTIVE SUMMARY

Our strategy for RIIO builds on the significant engagement that has always been central to our activities. We recognise an increased focus on stakeholder engagement is essential if the challenges to deliver our £2.6bn investment plan are to be met. We cannot deliver this on our own and the environment in which we are operating demands that the wide range of opinions and interests are understood, considered and managed.

To this end we are working with Ofgem, SHETL and NGET to build a customer satisfaction survey. We will be working with our stakeholders in early 2012 to trial the survey and test our engagement plans. The feedback we receive from our stakeholders will inform our strategy and influence the details and delivery for the survey. Internally, we are committed to improving the co-ordination of our engagement and establishing processes to ensure we listen, understand and act upon the views of our stakeholders.

We intend to have our survey baselined and processes in place to be able to implement an incentivised customer survey in 2013.

6. INTRODUCTION

The new regulatory framework, RIIO-T1, introduces a greater role for Stakeholder involvement in the regulatory process and encourages network companies to proactively engage with consumers of their network services and wider stakeholders.

During the price control period (2013 to 2021) a discretionary incentive will be available based on effective stakeholder engagement to +/-0.5% of allowed revenue. This reward will be assessed qualitatively by an independent panel. Ultimately the regulator could seek enforcement actions for a Licence Breach should this engagement be insufficient.

Ofgem have explained¹ that with respect to the discretionary reward will be awarded for demonstrating exceptional positive outcomes for customers that anticipate and respond to customer needs. To qualify for this reward we need to have in place a defined strategy for stakeholder engagement, demonstrate broad consultation and evidence that we have changed policy or process in response to customer feedback.

Key principals that will underpin our stakeholder engagement are inclusiveness, transparency, accessibility, responsiveness and demonstrable impact.

Our strategy will ensure an appropriate range of stakeholders views will be sought, and the information provided to these stakeholders will be targeted and in line with their preferred method of communication. We will demonstrate how we have used the views expressed through engagement or where we have not made use of stakeholder views, we will provide robust reasons for this.

An effective stakeholder strategy will mitigate the risk of the challenges we face by ensuring we have understood and responded to the needs and wants of the multiple stakeholders our investment plans involve. By developing stronger and more constructive relationships with our stakeholders, at both national and local levels, we will ultimately achieve longer term efficient delivery of our primary outputs.

This document defines our transmission stakeholder strategy.

6.1 Meaningful Stakeholder Engagement

We must be able to answer:

- Who are our stakeholders?
- How do we segment our stakeholders?
- What benefits can we expect from meaningful stakeholder engagement?
- What information sources do we already have about our stakeholders and their views?
- What, therefore, do we think are the principal stakeholder wants and needs

¹ Strategy for the next transmission price control – RIIO –T1 outputs and incentives March 2011

- What are our wants and needs?
- What is the best methodology for meaningful engagement with key stakeholders?
- What do we need to do to maximise chances of success?
- How will we learn and continuously improve meaningful stakeholder engagement?
- What are our priorities for better understanding wants and needs, where are the significant knowledge gaps; where we believe there are already significant and potentially damaging gaps

6.2 Principles of Stakeholder Engagement

- Stakeholders should have a say in decisions about actions that could affect their lives or essential environment for life.
- Stakeholder participation includes the promise that the stakeholder's contribution will influence the decision.
- Stakeholder participation promotes sustainable decisions by recognising and communicating the needs and interests of all participants, including decision-makers.
- Stakeholder participation seeks out and facilitates the involvement of those potentially affected by or interested in a decision.
- Stakeholder participation seeks input from participants in designing how they participate.
- Stakeholder participation provides participants with the information they need to participate in a meaningful way.
- Stakeholder participation communicates to participants how their input affected the decision.

These checklists effectively reflect the aims and objectives our stakeholder strategy intends to achieve.

7. RIIO STAKEHOLDER CONSULTATION TO AUGUST 2011

The stakeholder engagement we conducted in advance of our Investment plan submission provided clear messages from our stakeholders that form the starting point for our stakeholder strategy. The details of this engagement and the feedback received from our stakeholders is documented in our RIIO-T1 Customer Satisfaction and Stakeholder Engagement paper

This feedback has significantly influenced our ongoing stakeholder consultation and provided the basis for this stakeholder strategy. We have understood from our stakeholders key areas for improvement that we can respond to are:

1. **Communication to Stakeholders:** better, targeted, relevant.
2. **New connections;** Deliver sustainable low carbon energy through fair, clearer, more accessible processes.
3. **Operations:** Maintain security of supplies and maximise long term value for end-users through improved network availability and reliability processes.
4. **Delivery:** minimise environmental impact and mitigate consenting and planning challenges through better stakeholder engagement

This feedback prompted a wholesale review of our transmission activities in relation to stakeholder engagement. A refreshed transmission stakeholder database with updated contact names and details has been developed. This will become a supported system with engagement activity captured, actions tracked and information regularly checked and updated.

Stakeholder groupings from all areas of the business have been recognised and strategic engagement within each group has been reviewed, improved where appropriate and captured in this document. This provides a basis delivering 'better, targeted, relevant communication' as well as facilitating review and improvement going forward. It also forms the basis for the structure and content of the proposed Transmission Customer Survey²

Finally in line with RIIO output requirements a Network Availability Policy has been developed in partnership with the other TO and SO's which will involve a review of processes in the reliability and availability areas.

These areas will become subject to performance appraisal by our stakeholders through the customer survey and therefore subject to ongoing feedback and continual improvement.

² Customer Stakeholder Survey June 2011

8. STAKEHOLDER ENGAGEMENT AUGUST TO DECEMBER 2011

The feedback from Ofgem in their Initial Assessment and subsequent follow up discussion and meetings on our stakeholder engagement identified several areas we needed to work on:

1. Involve a broader range of stakeholders particularly Customer Focus groups, local authorities and stakeholders representing future customers.
2. More engagement and stakeholder feedback on Environmental issues particularly losses and BCF
3. More evidence of how we have challenged and/or implemented stakeholder views
4. Conduct a visual amenity survey
5. Ensure development of our Customer Satisfaction survey takes a wider whole system perspective

There was also an expectation that our engagement should continue to further inform our plans and focus on areas not yet addressed or stakeholders who have been under represented. We have endeavoured to meet these findings in the short term and adjusted our medium and longer term engagement strategy accordingly.

In response to the Initial Assessment from Ofgem we undertook further engagement activities as follows:

- Meeting with Skills Minister at Dealain House
- Letter from Frank Mitchell, CEO SP Energy Networks, with our summary plan sent to Senior MSPs with request for meetings and Senior Scottish Govt civil servants – sent Oct 2011
- RIIO Summary Business Plan issued to all SP area MSPs and MPs, and various third party influencers including Scottish Enterprise, Scottish Renewables, CBI Scotland.
- Follow up meetings requested by Adrian Gillespie of Scottish Enterprise and David Lonsdale and Andrew Dyce CBI
- Workshop at Kirkintilloch to communicate 'Ready for Winter' plans
- RIIO 2 page update paper issued to all stakeholders and included in packs at events
- RIIO summary business plan prepared and issued to specific stakeholders
- RIIO webcast focusing on financials of RIIO; link issued to all Investors and all Stakeholders
- Exhibition/Events: State of the Economy and Base Glasgow
- Innovation workshop with Research and development stakeholders
- Attendance at National Grid workshops on Environmental Issues and SO responsibilities
- Western HVDC - all relevant politicians made aware of project. Local Politicians received briefing. and follow up meetings with constituency Politician in Q4
- Sponsored Scotsman Newspapers 'Economics of Renewables' Conference Dec 13th

These activities and publications are kept up to date on our website and can be viewed on:

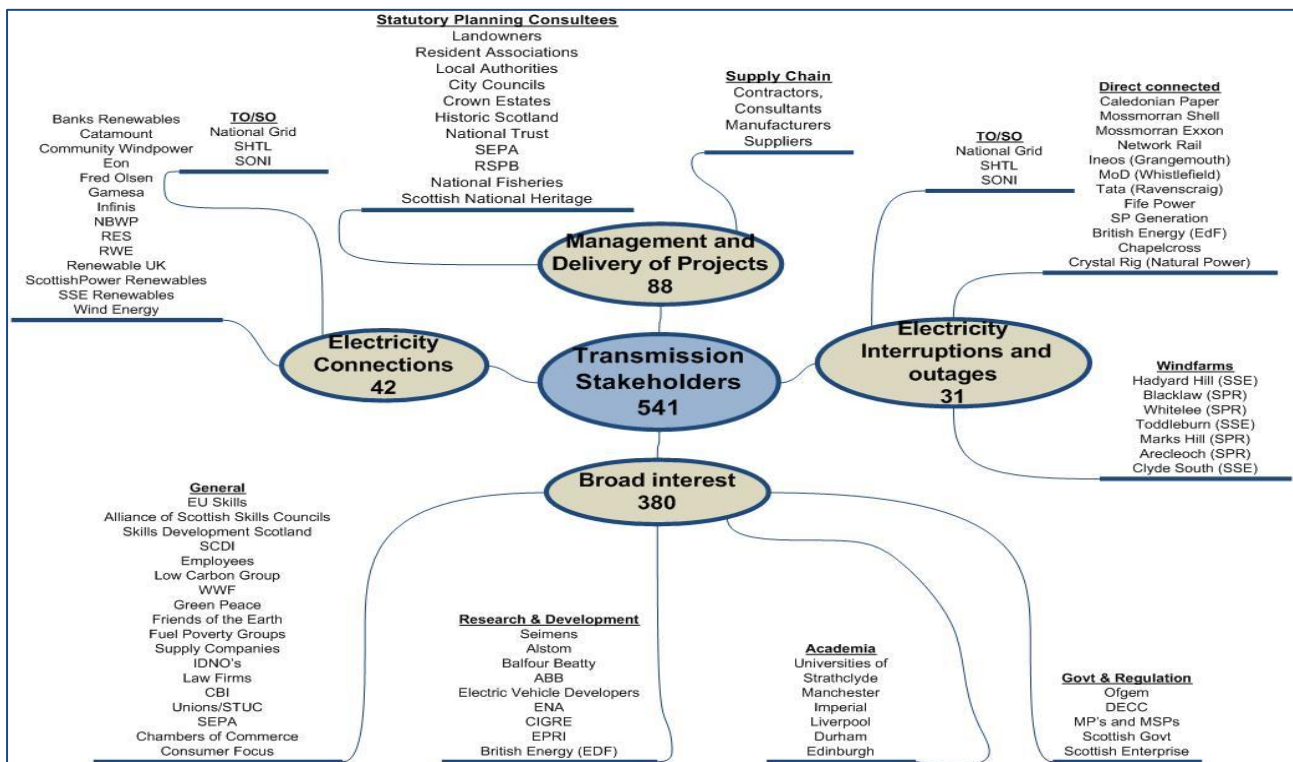
[EnergyNetworks: Publicly Available Information](#)

The feedback we are receiving from these activities are helping inform our policy developments on Environmental issues such as visual amenity, our Network Availability Policy, and development of our customer satisfaction survey and stakeholder engagement plans.

9. FUTURE STAKEHOLDER ENGAGEMENT

9.1 Transmission stakeholder groupings

Identifying who stakeholders are in respect to our transmission activities is complex. Ultimately every distribution connected customer is dependent on the transmission network for the supply of their electricity. However, customers connected at transmission voltages are relatively few in number and according to the BETTA rules are contractually the customer of National Grid the Transmission Operator. Nevertheless interaction exists at various levels to a wide variety of stakeholders who have significant interest and influence in our activities. SPT have undertaken a review exercise with both internal and external stakeholders to identify appropriate groupings. Figure 1 provides a diagrammatic representation of the outcome of this review with examples of stakeholders under each category.



Stakeholders in each group were identified and their contact details captured. The relationship and our service provision were reviewed, and are described below. Stakeholders were considered in terms of influence and risk to delivery to provide a stakeholder register. Appropriate strategies of engagement were then developed.

9.2 Stakeholder Grouping: Electricity Connections

9.2.1 Relationship/Service Provision

Prepare Connection agreements for new developers requesting new connection or changes to existing connections to our Transmission system, in conjunction with National grid. Prepare scheme outline designs, optimise engineering solutions for these connections and prepare investment paperwork for technical and financial approval.

SP Transmission support National Grid in approximately 40 Connection agreements for developers requesting new connections or changes to existing connections to our Transmission system, at any one time. Significant stakeholder engagement is conducted by our Regulation and design personnel in tri-partite meetings and responding to stakeholder contact and requests directly, throughout the entire process of offer, construction and connection

9.2.2 Strategy for Stakeholder Engagement

With respect to new connections we understood from our stakeholders that we should deliver sustainable low carbon energy through fair, clearer, more accessible processes.

We believe this message endorses the level of investment we are proposing in our load related activity in respect of new connections and wider works. UK and Scottish government low carbon targets do provide the incentive for industry activity in renewable generation connections and it is incumbent on us as the network operator from a stakeholder as well as license perspective to deliver the capability for these targets to be met.

As well as our broad stakeholder engagement, specific engagement with developers proposing new connections is a normal part of our processes. This has resulted in a very positive outcome during the current TPCR4 period of connecting over 1700MW of renewable generation compared to the expectation of 1734MW contained in our revenue driver from TPCR4. Not all the original schemes have come to fruition and others have arisen during this price control period. We fully expect this trend to continue in the RIIO period and we have addressed this within our submission by categorising all current connection applications in terms of their likelihood of completion and our anticipation of timescales. This has allowed us to profile our load investment plans and manage the financeability risk by determination of the appropriate revenue mechanism for each project based on its category as per figure 2 below:

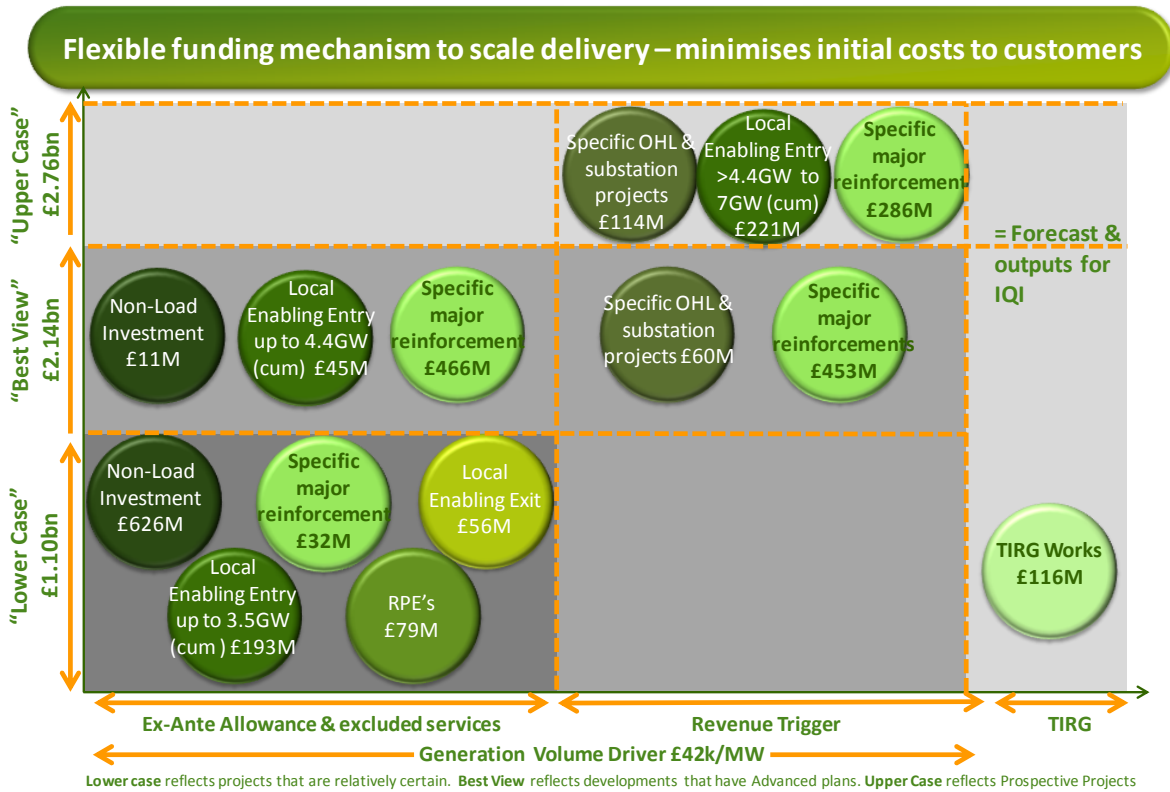


Figure 2: RIIO T1 Capital Investment

Our Stakeholder strategy in this area includes a commitment to review the current connection process with relevant stakeholders as a direct result of feedback which told us there is insufficient clarity on the connection process particularly for new, smaller developers. The outcome of this review we anticipate may involve potential changes to the TO/SO code and CUSC. National Grid has already begun consultation on specific improvement options in this area and we will engage with and develop this initiative for stakeholders in our licence area. This review will start with a baseline customer survey in Q1 of 2012. The stakeholder feedback from this will give as a basis to identify improvement opportunities in more detail.

The fact that we include this group of stakeholders in a customer survey will ensure a mechanism exists for formal performance appraisal in relation to customer satisfaction and provides ongoing continuous improvement opportunities.

9.3 Management and Delivery of Projects

9.3.1 Description of Service provision/relationship

Deliver major construction projects safely, within the agreed cost and programme. Provision of all associated legal, environmental matters and planning requirements in relation to the delivery of major project infrastructure.

9.3.2 Strategy for Stakeholder Engagement

Minimising the environmental impact and mitigating consenting and planning challenges through better stakeholder engagement was clearly communicated to us as fundamental for our infrastructure construction activities.

The drive to deliver low carbon energy through renewable connections and wider works requires an unprecedented level of load related investment. The consequential planning and consenting requirements present a significant risk to the delivery of our plans.

Our current stakeholder engagement has resulted in positive feedback from such organisations as the RSPB, who have expressed confidence in our environmental planning and contingency activities. Our engagement throughout the Beaulieu-Denny project provides an excellent basis for our stakeholder strategy in relation to this activity. For example every contact from stakeholders was captured in our customer contact database, a suitable response identified and the action tracked until completion. Stakeholders were identified and assessed in terms of their influence and impact and an appropriate strategy adopted to improve their satisfaction levels with respect to our activity.

This approach will be assessed by using these stakeholders as a pilot grouping to develop an appropriate customer satisfaction survey for our delivery activities. Baseline surveys will start in Jan 12. Lessons from this survey will be incorporated into our stakeholder engagement strategy being developed for this activity. This strategy is evolving out of current best practice and is expected to be documented by April 12. IT will take cognisance of the following issues.

Large scale volume and capital spend increases are proposed as we move into RIIO -T1. The refurbishment/rebuild volumes increase significantly. The transition will be staged lower at the front end to allow a scalable delivery through the period. 2013 through 2015 will be approximately 30% lower than the outputs for 2016 onwards. In addition to SPEN volume increases, it is acknowledged that both SHETL and NGET have large increases in OHL infrastructure investment compared to the previous price control period

- SPTL (Scottish Power) – 3x increase

- SHETL (Scottish Hydro Electric) – 17x increase.
- NGET (National Grid) – 5x increase

These increases may place major constraints on the availability of linesmen with the marketplace. Pressure to deliver increased operational outputs from day one of RIIO will require market engagement at this early stage. Consideration of all potential delivery models, allowing locking in and growing resource in the market must be considered to achieve desired committed outcomes.

However, these challenges offer opportunities for purchasing to deliver more, increased value and volume contracts. Current market engagement suggests that most work streams (Substation, Cable, and Civils) are still competitive and have a healthy marketplace. OHL with its large increase across all Transmission Operators has a degree of uncertainty attached. A plan is being developed to engage current and new entrants to the tender lists and to understand the market capabilities. Market analysis will determine the purchasing strategy for engagement. This may involve a change in the current direction to deliver an alternative view to the purchasing strategy

Again the fact that we include this group of stakeholders in a customer survey will ensure a mechanism exists for formal performance appraisal in relation to customer satisfaction and provides ongoing continuous improvement opportunities.

9.4 Electricity Interruptions and Outages

9.4.1 Description of Service provision/relationship

Provision of a safe, secure, reliable & stable transmission network for demand and supply connected customers at 132kV and above. This is managed through planned & coordinated system outage processes that facilitate network access to allow delivery of work programmes. Co-Coordination and restoration of network faults and incident management is backed up by customer service and system performance management and reporting.

9.4.2 Strategy for Stakeholder Engagement

Maintaining security of supplies and maximum long term value for end-users through improved network availability and reliability processes we understood from our stakeholders must be a priority for us.

Our non-load investment plans form a significant element of our RIIO submission and will deliver security of supply and levels of reliability consistent with the current performance levels stakeholders have come to expect, now and for future customers.

Early feedback from stakeholders indicated an expectation that our investment plans to achieve a reliable and secure network was rightly determined by us as network owners with the necessary skills and experience to make these judgements. Our stakeholder engagement presented our asset management policies and investment protocols to explain the needs case for our non-load investment. This was well received and endorsed by stakeholders.

It is also important to highlight the interdependency in our load and non-load investment plans and the decision making made to co-ordinate this that maximises long term value for stakeholders. For example the high level of overhead line investment requires a significant amount of network outages in the central area where construction of the Beaulieu Denny upgrade also impacts. Profiling the refurbishment work around the construction work minimises constraint costs and maximises circuit availability. Furthermore, the substation non-load investment profile is also co-ordinated with the overhead line work to minimise outages. Although this sort of forward planning has always been conducted the quantity and time period increases under RIIO demand an increased focus and effort to ensure the optimum outcomes are achieved. To this end, discussions with the NETSO for projects as far ahead as 2021 have already started. Also, and in line with Ofgem's Reliability and Availability primary output measures, tripartite discussions have already commenced with the other TOs and SO to develop a Network Availability policy.

We have also identified directly connected demand and supply customers as a specific stakeholder group with whom we will develop a strategy for engagement. However, we are conscious of the BETTA limitations imposed by the STC code for governing commercial concerns. This limitation directs communication via the NETSO. However, informal communication regularly takes place between SP Transmission Ltd and these customers in support of outages and other issues. However, this is primarily initiated by the customer. This activity does benefits customers and we will endeavour to develop this area without undermining the BETTA principles. We intend to invite all these customers to workshop in Q1 of 2012 to discuss their needs and aspirations in this area. We will include this group of stakeholders in a customer survey to ensure a mechanism exists for formal performance appraisal in relation to customer satisfaction feedback and continuous improvement dialogue. This could result in changes to the industry codes and practice explained earlier.

9.5 Broad Interest

9.5.1 Description of Service provision/relationship

Provide a safe, reliable, stable, efficient transmission system for current and future consumers.

For the RIIO period in particular this involves supporting the Government's drive for a low carbon economy by developing new technology and deploying it to deliver operational and efficiency benefits. To do this we work with suppliers and academic institutes to carry out a range research projects. The outputs from our existing research and development projects are helping our work on offshore transmission system upgrades. In the major cities within our licensed areas we are helping the relevant stakeholders to develop energy plans that will address their own energy related objectives.

We are also actively participating in the setting of regulatory and energy policy. In particular, we respond to regulatory and industry consultations and ensure we are represented on a number of industry bodies and trade associations.

Our broad range of stakeholders represent a wide range of sometimes conflicting points of view. It is our intention to understand these needs and determine the appropriate response to balance the interests of current and future customers. This will involve a greater degree of engagement than we have ever conducted.

9.5.2 Strategy for Stakeholder Engagement

We should engage with a broad stakeholder group but we should target appropriate communication to those groups. Web based information is essential but should supported by seminars and printed materials.

We have identified a broad range of stakeholder groups and will conduct an initial survey with them in Q1of 2012. This will provide a basis for identifying needs and opportunities for improvement in our engagement for the RIIO period. This will be an ongoing process.

9.5.3 Broad Interest - European Engagement

Over the last ten years SP's transmission business has been particularly pro-active in supporting the development of European electricity legislation, and the requirement for independent transmission system operation to facilitate an open market in electricity trading. In the early 2000s SPT was heavily involved in helping establish the European Transmission System Operators association (ETSO), which two years ago was reconstituted under the under the EU Third Energy Package legislation into a formal

organisation called European Network of Transmission System Operators – Electricity (ENTSO-E). SPT is fully involved in monitoring and engaging in European activities as a full member of ENTSO-E.

Representatives from SP Energy Networks has been very pro-active in monitoring and influencing the development of new network codes, having often taken a lead role in representing and briefing the ENA and GB network companies. This work includes supporting 'Eurelectric', and through 2009 and 2010 SPT chaired a Eurelectric working group responsible for the transmission / distribution interface.

We are currently liaising closely with Ofgem and DECC on being formally certified as a Transmission System Operator, having made a formal application for SPT's certification as a Transmission System Operator ("TSO") under Article 9(9) of Directive 2009/72/EC. This application was prepared on the basis that our "Scottish Model" under which SPT operates guarantees more effective independence of the transmission system than the ITO model set out in the Directive. This is because the entirely independent role of NGET as SO removes from SPT some of the key tasks and decisions of the ITO role relating to facilitating the market, and the remaining ITO activities performed by SPT are subject to a wide range of ring-fencing, compliance and reporting requirements, enforcement powers and a more sophisticated and stronger regulatory framework than that envisaged by the ITO requirements.

9.6 Stakeholder Relationships and Survey Weightings

In our July submission we included our stakeholder engagement activities and plans. It included the definition of three stakeholder groups:

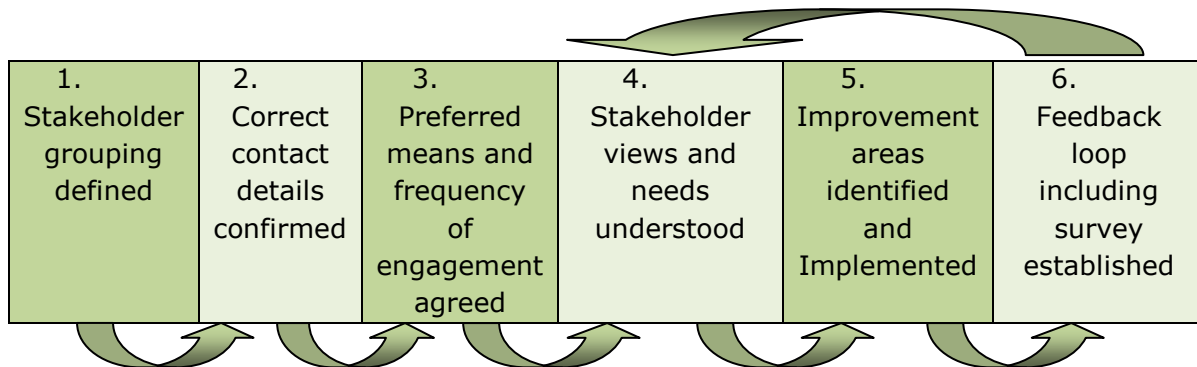
1. Stakeholders we deliver an output too.
2. Stakeholders we depend upon to deliver our outputs
3. Stakeholders who influence or seek to influence our outputs

The table below has been updated since July to reflect the development work with SHETL and NGET on the Customer Survey to achieve some commonality. The weighting values are indicative subject to results of survey testing.

Relationship Type	1. Output	2. Depend Upon	3. Influence
Stakeholder Grouping	<ul style="list-style-type: none"> • Electricity Connections • Electricity Interruptions and Outages 	<ul style="list-style-type: none"> • Management and Delivery of Projects 	<ul style="list-style-type: none"> • Broad Interest
Survey Weighting	50%	20%	30%

The initial weightings were indicative and the next stage of our engagement process will help clarify these figures.

Development of an effective stakeholder strategy will require increasing levels of understanding. Key indicators can be identified:



The development of our stakeholder engagement strategy for the rest of the RIIO period will cycle through these stages, increasing our understanding of stakeholder views and needs, delivering improvement areas and ultimately achieving more and better outputs.

Our strategy of engagement will vary according to stakeholder group and relationship type as explained in our Transmission Stakeholder Strategy document. The type of question and customer satisfaction weighting will also vary across these categorisations. For those groups we deliver outputs too, the weighting in our customer satisfaction survey should be the most significant. The expectations for our results in this area should be high and improving.

Stakeholder groups we depend upon to deliver our outputs should have less weighting in our satisfaction results as they provide a service to us which constitutes a vested interested which could skew their responses in our favour.

Those stakeholders that want to influence our activities or outputs should also be given a lesser weighting in terms of customer satisfaction results as these groups by nature will carry an agenda which can skew their responses both negatively or positively in our favour depending on their particular issue independent of our engagement with them.

Within each stakeholder group, specific stakeholders will have different preferences and requirements for our engagement with them. This will vary according to whether or not we are currently engaged in activities for them or that impact them. It will also vary according to the nature of the activity, the current level of stakeholder satisfaction, the subjective preferences of the stakeholder and the knowledge and awareness of our role. We are considering potentially two different types of survey as follows:

- 1) A Stakeholder survey that will provide proof that we have a mechanism to engage with our stakeholders on a 'frequent' basis and we use the information they give us to help build and drive our business/operating plans.
- 2) A Customer Satisfaction Questionnaire to assess the service that is provided. This would be completed on an ongoing basis to monitor the effectiveness of our service provision that is being delivered to order to improve the service. This second survey may not involve the Scottish TOs directly, given that it is NGET as the SO, and not SPT and SHETL, that has contractual arrangements in place with customers. However any relevant outcomes from the NGET survey that impact the Scottish TOs would be addressed to improve service provision.

Stakeholder Engagement survey would be completed once per year to ensure that we hold the right people on our Stakeholder List, that Stakeholders feel they are being engaged and stakeholders can say whether they are confident that the feedback they have provided is being used or at least considered. All stakeholders would be invited to participate and we would aim to encourage as many to complete as possible. An example of a stakeholder engagement survey is provided in Appendix 1.

The Customer Satisfaction Questionnaire will provide a monitor of our service to customers with the expectation that the scores improve. This will be completed more frequently, on a quarterly or six monthly basis, to all Customers we have provided a service too or have had an engagement with within that time period. An example of potential Customer Satisfaction Survey Questions is provided in Appendix 2.

9.7 Timetable for Implementing the Surveys

SPT are committed to developing customer satisfaction and stakeholder engagement surveys for the RIIO period starting in 2013. We will work with our stakeholders directly and engage specialist consultancy support to achieve a baseline performance in 2012.

We are finalising a draft survey question set in conjunction with NGET and SHETL. We intend to engage with our stakeholders early in 2012 to test our database, trial these questions and hear our stakeholder's views on the survey and our engagement in general. We will use this feedback to further inform our engagement strategy.

In parallel with this we are developing and implementing internal processes to deliver our stakeholder strategy. This involves cultural and behavioural change elements. Typically at transmission level, our engagement is functionally focussed and used to influence individual projects, customers or initiatives. As a business we recognise a significant improvement opportunity for improvement if we can co-ordinate and share our stakeholder engagement. This will provide focus and consistency. We also need to formalise processes for capturing, reviewing and responding to stakeholder feedback.

These processes must be able to influence our business plans and provide effective answers to our stakeholders.

We intend to have our survey baselined and processes in place to be able to implement an incentivised customer survey in 2013.

10. CONCLUSIONS

- SP Transmission Ltd are committed to developing stakeholder engagement that is meaningful, interactive and improves our ability to deliver our RIIO-T1 outputs.
- We recognise that we have a wide range of stakeholders with varying opinions, issues, needs and objectives who require a variety of engagement mechanisms.
- We will develop a customer satisfaction survey that will provide a measure of the effectiveness of our engagement.