1.1

Annex

SP Energy Networks 2015–2023 Business Plan

Stakeholder Engagement

SP Energy Networks

June 2013

SP ENERGY NETWORKS

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Stakeholder Engagement

In this annex:

Introduction

The views of our customers and other stakeholders are important to us. They provide important insight into how we should change our business to improve our performance now and into the future. We listen to our customers and make improvements to our operations to bring benefits to our customers.

Customers and stakeholders have told us that their priority is a reliable supply of electricity at an efficient cost. They have also told us that they want us to invest to in the network sooner to promote economic growth, improve our resilience to storms and improve services to poorly served customers.

We have made a step change in our approach to engagement around plan preparation, engaging with stakeholders early in the process and making the way we present our material much more stakeholder focussed. We have used external facilitators to give independence to the feedback themes we've collected and we've used audience response equipment to give immediate transparency to the views we've collected. We've presented our draft plan in terms of the impact on a customer bill and clearly set out how our plan has changed as a result of feedback received.

At our stakeholder events, 97% of those in attendance agreed they felt we were listening to their views in preparing this business plan.

This plan has been shaped by the views of a broad range of participants as a result.

Stakeholder identification

In preparation for engagement activity on the business plan, we identified which stakeholders we wanted to engage with and established a database of our stakeholders for business planning purposes. At the start of our engagement process for the business plan we had identified 1,200 stakeholders. The database evolved throughout the course of our engagement and by the time we submitted this business plan we had added a further 600 stakeholders.

The database was created in order to store contact details for relevant named contacts within key organisations in one place. Further benefits include the ability to monitor participation in stakeholder engagement activity and to segment and categorise contacts by stakeholder group.

Sourcing stakeholder data

In order to provide the most comprehensive overview of our stakeholders, data was sourced from a range of internal sources, where it had been collated for operational reasons in specific areas of the business. For example, lists of key emergency planning contacts, lists of contractors and suppliers who have a contract with the company and lists of commercial and housing developers who wish to connect to our network.

This information was expanded with external research, which provided a more comprehensive picture of groups which, although stakeholders of SP Energy Networks, had never been collated together in one database. Examples include key strategic planning contacts from relevant Local Authorities, sourced from individual council websites, and renewable developers, sourced from a RenewableUK database.

Register your interest as a stakeholder

In addition we provided opportunities for other stakeholders to proactively join our database through a dedicated web form on our website. This form allowed the stakeholder to select which group they belonged to and furthermore to express their area of interest. In addition, we have advertised our RIIO ED1 Consultation email address across our web pages and in all our communications to stakeholders, through which it was possible for interested parties to request engagement as part of the RIIO ED1 process.

Data cleansing

The database was continuously updated throughout the RIIO ED1 engagement process. It was found that invitations to events and subsequent reminders and post-event mailings were helpful ways to cleanse the data, identifying email addresses which no longer existed. In addition we specifically requested that those who received the mailings pass them on to those within their organisation who would be most relevant to the RIIO ED1 engagement process. This allowed us to develop a range of new contacts and to change key details if they were found to be out of date or incorrect.

Where gaps emerged we were able to contact the relevant organisations in order to find the most appropriate contact for future engagement. For example, when a low response rate was identified from Scottish local authorities we individually called each large and medium sized local authority in our licence area in order to find an appropriate contact for future engagement.

Stakeholder categorisation

In order to ensure we accounted for all distribution stakeholders, it was important to categorise contacts in the most comprehensive manner. We produced a stakeholder map, below, which segments our stakeholder database into four main broad categories: Customers, Internal, External and Regulator.

SP Energy Networks Distribution stakeholders								
Customers	Internal	External						Regulator
Consumer groups	Individual employees	Electricity Industry	Delivery	Developers	Interest groups	Research and Development	Government	
Distributed Generation customers	Trade Unions	Competitors	Contractors	Commercial and Housing developers	Business groups	Academic institutions	Local Government	
Large Demand customers	SPEN Management	Energy Suppliers	Suppliers	Renewable developers	Environmental groups	Research Bodies	Central Goverment	
Individual Domestic customers	Iberdrola Management		Service Providers		Conservation groups	Manufacturer R&D		
	Investors		Skills and resourcing		Charities			
			Statutory planning consultees					

Grouping our stakeholder database into four broad categories: **Customers, Internal, External** and **Regulator** highlights the importance of these four groups to the company:

- *It is important to us to deliver a good service to our **customers**. Direct customer feedback can help us identify and resolve operational issues that have an immediate effect on our customers.*

- *By segmenting **internal** and **external** stakeholder groups we recognise the influence of outside organisations in the way our company operates, as well as acknowledging the role of those within the company itself. Through listening to the views of these groups and acting on their feedback we can change the way we operate the business in the future for the benefit of customers. The views of these groups are crucial in forming future priorities for service and investment.*

- *Operating within the unique environment of the UK energy sector as a DNO, the **regulator** Ofgem is an important stakeholder. It is important to maintain a positive working relationship and engage in order to understand how best to achieve future performance targets.*

Independent report

We recognised the importance of ensuring our stakeholder identification was comprehensive so commissioned our external market research agency, Explain, to produce an independent report of our Stakeholder database in order to identify any gaps. The report identified that further stakeholders should be identified in a series of categories. In some cases not enough stakeholders were represented, in other cases the database had an uneven spread across licence areas. For each recommendation of the report, we assigned an appropriate action. For example the report noted that Trade Unions in the SPM licence area were under-represented in our database and so we addressed this by working with Human Resources.

Explain's report concluded that they did not feel any stakeholder group was missing from our map. They further added in their findings that **'SP Energy Networks has the foundations of an extremely comprehensive and inclusive stakeholder database'**.

Competitor awareness

We also conducted an analysis of our fellow distribution network operators in the UK to understand how they had segmented their stakeholders as a way of identifying gaps in our categorisation. From this we found slight variations in the categorisation approaches which had been developed, but no stakeholder group which we felt was not accounted for in our own mapping.

Stakeholder engagement managed through CRM

Recognising the importance of ongoing engagement activity, we are preparing for the implementation of a new Customer Relationship Management (CRM) system, due to go live in 2014 across the business, which will allow us to collate stakeholder data in a more systematic format, easily accessed by all those engaging at an operational, tactical and strategic level.

Continual change and improvement

The continuous engagement process throughout the development of the business plan has allowed us to improve our understanding of who our stakeholders are. We have removed stakeholders from the list and added new ones throughout the process resulting in an additional 600 stakeholders to the database, taking it to 1,800. On occasion we have adapted and modified sections of our map in order to accommodate more stakeholders or to move individual contacts to a more appropriate section. This continual change is necessary to ensure our database of stakeholders remains relevant.

Simple phased approach

We adopted a simple 3-phased approach to stakeholder engagement leading up to submission of the business plan as detailed below. A fourth phase takes us through to the start of RIIO ED1 accompanied by a business-as-usual stakeholder engagement.

Phase 1 Quarter 3/4 2012	• Broad range of stakeholders working together to identify priorities
	STAKEHOLDER FEEDBACK
Phase 2 Quarter 1 2013	• Draft plans with financial implications for customer bills
	STAKEHOLDER FEEDBACK
Phase 3 Quarter 2 2013	• Summary of revised business plan published • Final plan submitted to Ofgem
	STAKEHOLDER FEEDBACK
Enduring Engagement	• Annual Customer/Stakeholder event • Newsletters/geographic updates • Workshops/surgeries/forums

The following sections cover in detail our approach to each stage of engagement:

- Phase 1
- Phase 2
- Phase 3
- Phase 4

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Phase 1

The first phase of ED1 stakeholder engagement activity took place from September to December 2012. The aim was to gather a broad range of views on future priorities from all identified stakeholder groups and use this information to inform initial investment plans for the ED1 period, as well as future engagement activity.
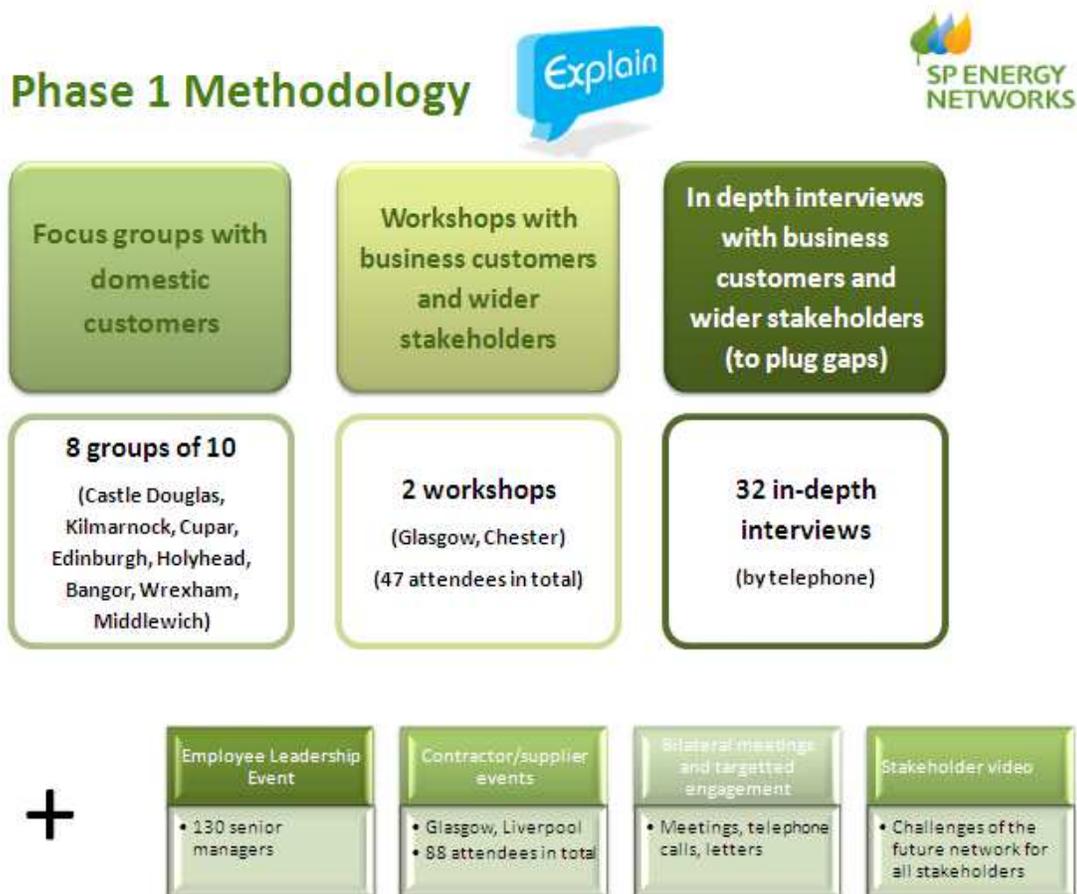
Stakeholder Video

We produced a video 'The Future Network - Have your Say', outlining some of the challenges being faced and urging stakeholders to participate in this vital debate. Stakeholders were urged to share their views via our website, or by emailing us at the address provided. Stakeholders were also urged to take part in one of our stakeholder events. We hosted the video on our web pages. We also used it at internal and external events throughout Phase 1. The video provided a simple means of communicating why changes to the network were necessary and encouraged stakeholders to have their say.

Stakeholder workshops

Stakeholders	A broad range of stakeholders. Invitations were sent out to the entire stakeholder database, with a view to cover as large a range of stakeholder groups as possible. In total 20 delegates attended in Glasgow and 27 in Chester. Attending the events were 2 representatives from competitors, 4 from energy suppliers, 16 from contractors, 3 from service providers, 2 from commercial and housing developers, 5 from renewable developers, 1 from a conservation group and 8 from local government.
Purpose/aim	The purpose of the events was to get stakeholders to identify which areas they felt were the priority areas for us to be investing in.
When/where	1 event was held in Glasgow and 1 in Chester. September 2012.
Format	The events included presentations on each of the six key output areas, followed by table discussions in groups of 6-9 delegates. As well as a facilitator from Explain, each group also included a scribe and a representative from the company on hand to answer queries. The workshops were facilitated by an external market research agency, Explain. The table discussion allowed different views to be explored and captured. At the end of the event a survey was provided to attendees and they were asked to identify their top 3 and bottom 3 priorities.
Feedback	Feedback received about the workshops showed that delegates felt positively about the event, rating the usefulness of the day at 3.9 out of 5, the presentations 4.1 out of 5 and the discussions 4 out of 5. In addition 88% expressed an interest in attending future workshops and events.

"Useful to be involved in these discussions at an early stage."

Consumer group, attendee at Phase 1 stakeholder workshop

Customer focus groups

Stakeholders	A random selection of customers who had experienced an outage in the last 12 months.
Purpose/aim	The purpose of the groups was to identify where customers thought we should be prioritising our investment plans.
When/where	4 in the SPD region and 4 in the SPM region. 3 of the focus groups were in 'hotspot' areas. October 2012.
Format	Individuals were contacted by Explain and offered a small financial reward in exchange for attendance at the group. Eight customer focus groups were held, each lasting around 90 minutes, covering each of the key output categories in turn in open discussion. At the end of the session a survey was provided to attendees and they were asked to identify their top 3 and bottom 3 priorities.

In-depth telephone interviews

Stakeholders	Stakeholders from groups that were not well represented at the Phase 1 workshops. Interviewed were 2 representatives from competitors, 2 from commercial and housing developers, 2 from renewable developers, 3 from charities, 1 from an environmental group, 16 from local government, 5 from central government and 1 consumer group.
Purpose/aim	It was identified that several stakeholder groups, although invited, had not been well represented at the September stakeholder workshops. In order to ensure their feedback was gathered as part of the first phase of engagement, a series of in-depth telephone interviews were scheduled.
Format	In total, 33 in-depth interviews were conducted by Explain. The interviews covered the same topics as the stakeholder workshops and focussed on identifying priorities for investment.

Employee leadership event

Stakeholders	In attendance were 130 senior managers from across SP Energy Networks.
Purpose/aim	This event provided the perfect platform to engage with a broad range of managers from across the company to get their views on priority areas for investment.
When/where	November 2012 in Carlisle
Format	As part of the event, delegates were given a detailed presentation on RIIO ED1 and the engagement process and were then given the opportunity to work in groups to identify their key priorities for the ED1 business plan submission.

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Contractor/supplier events

Stakeholders	SP Energy Networks contractor and supplier population. The stakeholder database was updated in anticipation of the events to include a comprehensive list of major current contractors and suppliers, as well as former and potential future contractors and suppliers. Invitations were sent out to all those indentified. 34 delegates attended the event in Glasgow and 54 in Liverpool, 51% of whom described themselves as a contractor, 19% as both a supplier and a contractor and 18% as a supplier. The 12% of other delegates included attendees from SP Energy Networks and a small number of attendees from interest groups such as the Energy Technology Partnership, Dumfries & Galloway College and Scottish Enterprise.
Purpose/aim	The contractor and supplier population are key stakeholders in the delivery of our investment plans and the purpose of the events was to establish early engagement with them on the development of our plans and explore what it would mean for them from a delivery perspective.
When/where	Held in November and December 2012, in Glasgow and Liverpool.
Format	Presentations from directors and senior managers covered topics such as Delivery model, Outputs, Purchasing, Resourcing and Innovation. Following each presentation interactive voting provided an instant reaction to key issues from delegates in the room and open discussion sessions provided further depth to responses.
Feedback	The events were extremely well received by those in attendance. 100% at both events agreed the sessions were useful, that the new event format worked well and that they would like to attend future events on preparing for 2015-2023.

100% of attendees at each Contractor/supplier event agreed that the sessions were useful.

Bilateral meetings and targeted engagement

Stakeholders	Broad range of stakeholders.
Format	On a bilateral basis, through meetings, telephone calls and letters.
Examples	We met with the Scottish Executive to take them through the material we presented at the stakeholder events and sought their views on our priorities. We also wrote to all MPs, MSPs and Welsh Assembly Members in our licence areas to make them aware of our engagement activities and offered them an individual meeting to discuss our priorities for our plans.

Taking lessons from Phase 1 into Phase 2

We made changes to our Phase 2 engagement plan as a result of our experience of Phase 1. Some examples are as follows:

Audience response equipment

We introduced audience voting buttons at the contractor/supplier events in order to collect feedback and share this with the stakeholders present. This worked really well and allowed for a much more interactive session as those present felt more inclined to contribute to the debate when they knew there were a number of others in the room that shared their view. On the back of this success, we decided to use audience response equipment at our Phase 2 events.

Stakeholder sector gaps

We analysed the attendance at our stakeholder events and targeted the in-depth interviews to plug some of the gaps. However, our aim was still to have a broad range of stakeholders present at our stakeholder events so we addressed this in Phase 2 by making direct calls to under-represented groups. For example, local authorities in Scotland were not well represented at our events in Phase 1 so in Phase 2 we sought to address this by making direct calls to seek out the most appropriate attendees and make them aware of the events.

Customer engagement

The customer groups we used in phase 1 were targeted at areas were there had been power cuts in the last 12 months and there was an understandable focus on power cuts as a result. We decided to engage with a more average cross-section of customers in phase 2.

30 priorities refined

Phase 1 identified around 30 priority areas for stakeholders. Of these we identified the 6 top priorities and used these as the basis of our Phase 2 engagement activity on investment options.

Fewer speakers

We were also advised by our stakeholders that they felt there were too many speakers at our first events. We took this feedback on board and reduced the number of SPEN employees presenting at the Phase 2 events to a small core group.

Use a range of locations

Stakeholders at our first set of workshops told us that it was important to hold our events in a range of locations. We took this forward into Phase 2 and held future events in different venues.

![SP Energy Networks logo]

Phase 2

The second phase of ED1 stakeholder engagement activity took place from February to March 2013. The aim was to use the stakeholder priorities identified during Phase 1 to inform investment plans and to present these to our stakeholders. The purpose of this engagement was to ensure we had identified the correct priorities and that we had included those in our draft plans in an appropriate way. This was tested with willingness to pay exercises.

Phase 2 Methodology

Workshops with business customers and wider stakeholders	Customer survey (domestic and SMEs)	Online surveys
2 workshops (Liverpool, Edinburgh) (51 attendees in total)	1,000 customers	Over 400 employees and over 80 stakeholders

+

Investor survey
• Tailored electronic survey issued to investment community

Stakeholder workshops

Stakeholders	Broad range of stakeholders.
	Invites sent to the entire stakeholder database. 74% of those who attended in Liverpool and 70% of those who attended in Edinburgh had not participated in our previous stakeholder events. Our best represented stakeholder groups were Government (including Central government, Local Authorities, Emergency Planners and Housing Associations), Delivery (including Contractors and Suppliers) and the Electricity Industry (including Energy suppliers and DNOs). Also in attendance were Customers, Developers, Interest groups, Consumer groups and Trade Unions.
Purpose/aim	These events were held with stakeholders in order to demonstrate we had listened to stakeholder priorities in preparing our plans, to present, and receive feedback on, our initial investment plans and to assess willingness to pay.
When/where	February 2013. Liverpool and Edinburgh.
Format	Two stakeholder workshops. The events included presentations which explained our investment plans the relevant background and context to these and the justification for our initial proposals. After each presentation each group of stakeholders discussed the plans in more detail and were able to express their thoughts on what had been presented. Following each table discussion, interactive voting provided an instant reaction to the investment plans from delegates, allowing them to vote on whether they agreed with the proposal put forward in our draft plan, whether they would like us to consider one of our proposed alternatives, or they would prefer us to consider doing more or less than anticipated. We also provided a 'tracker sheet' including all the options so that delegates could keep track of the bill impact of the options they selected. As well as a facilitator from Explain, each group also included a scribe and representatives from the company were on hand to answer specific queries.
Feedback	All the presentations and the initial bill impact estimates from both events were published on our website shortly afterwards to allow stakeholders who could not attend the opportunity to see our draft plans. Attendees again gave very positive feedback about the events. 97% thought the event format worked well and 92% suggested they would be interested in attending future events. In addition, 97% of stakeholder present at the events agreed they felt SP Energy Networks were listening to their views in preparing investment plans for the RIIO ED1 price control review period.

"Just a quick note to say thanks for today's SPEN stakeholder event. I certainly got more from the day than I hoped for and realise we should be doing more with this side of the ScottishPower business."

Consumer group, attendee at Phase 2 stakeholder workshop

Audience response – Early network reinforcement

The images below show an example of the investment options we presented in our Edinburgh workshop and the associated attendee voting. The topic was earlier network reinformcement which we referred to as our 'Strategic approach to network investment' for the purposes of stakeholder engagment.

Audience response – Severe weather resilience

The images below show an example of the investment options we presented in Liverpool and the associated attendee voting. The topic was storm resilience.

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Tracker Sheet

The image below shows the tracker sheet we provided to stakeholders to allow them to keep track of the investment options we were proposing and the impact these had on customer bills. This sheet has also been updated to show the voting that each option attracted at the Liverpool event.

Face to face customer surveys

Stakeholders	Over 1,000 domestic customers Selected at random at locations around our licence area. This size of sample set was chosen because it can achieve a low margin of error of +/- 3%. Quotas were set on age, socio-economic group and gender to ensure a representative sample was achieved.
Purpose/aim	During our first phase, engagement with domestic customers focussed on those who had communicated with us during the previous 12 months. This attracted customers who were already familiar with our work or who had an experience of dealing with us. Having assessed the priorities of these customers, it was important to widen the scope of our research and include all domestic customers, regardless of previous relationship. It was felt it was particularly important to do this during our second phase of engagement, where we assessed willingness to pay.
When/where	March 2013. Across 60 locations within our licence areas. This represents 550 in the SPM are and 550 in SPD.
Format	Our customer surveys were facilitated by Explain and carried out by their team of experienced researchers. They reached over 1,000 of our domestic electricity customers. Surveys were carried out face-to-face and respondents were offered a high street voucher for their time.

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Online surveys

Stakeholders	Broad range of stakeholders and employees. An invitation to participate in the online survey was sent to all stakeholders in the database who had not already attended an event or provided their feedback on our draft plan in some other way. In addition, separate surveys were created for members of our on-line community and employees.
Purpose/aim	Attendance at our stakeholder events was good but we wanted to ensure that as many stakeholders as possible were able to participate in our engagement activity. The stakeholder event material was used to develop an online willingness to pay survey with functionality that allowed the participant to select options and see the resultant bill impact. As employees are an important stakeholder group, we wanted to give them the same opportunity as our external stakeholders to review the material from our workshops and feedback their own views on priority areas for investment.
When/where	April 2013.
Format	An online survey, facilitated by Explain. Including innovative functionality which allowed stakeholders to review the projected customer bill impact of the investment options selected. This was supplemented by an option to raise or lower investments in response to the resultant bill impact.

Online survey examples

Flood protection

Flood protection - <u>£0.05</u> per year to protect the 48,000 customers that would be affected by a 1 in 200 year flood

✓ I do think this should be in the plan and I am happy with the amount proposed

+ I do think this should be in the plan and I would be willing to pay more to make more of an impact in this area

— I do think this should be in the plan but think less work should be carried out thus the bill amount would be lower

X I don't think this should be in the plan or added to the base bill

+ How much more?

+10p   +20p   +30p   +40p   +50p

— How much less?

-10p   -20p   -30p   -40p   -50p

The costs of the choices you have made are summarised below:

Storm resilience: £1.62
Poorly served customers: £0.49
Future proofing: £0.12
Upgrade network in areas close to full capacity to avoid delays: £1.08
Service position inspection: £0.26
Flood protection: £0.05
Innovation: £0.50

These amounts total to £4.12 , adding this on to the base cost of £91.32, means you would pay £95.44 each year for distribution, compared to the £96 you pay now. If you are happy with this amount click 'next.' If you are not sure, go back through and adjust your selections. You might want to see more investment to make more of an impact in some of these areas or you might think this is too high and want less investment in some of these areas.

Taking learning from Phase 2 into Phase 3

We made changes to our Phase 3 engagement plan as a result of our experience of Phase 2. Some examples are as follows:

Range of feedback

In order to assess the wide range of feedback we received, we pulled together all the feedback on top priority issues into a single table, by license area (reference Chapter 6 – Learning from stakeholders). Arrows were used to indicate the direction of stakeholder feedback:

indicated support for doing more (or high importance & high willingness to pay)

indicated support for draft plan proposal (or high importance but low willingness to pay)

indicated support for doing less (or low importance & low willingness to pay)

Key stakeholders

As the details of our draft plan were becoming more certain we identified a need to engage directly with some our key stakeholders in a way that was targeted directly to their needs. In response, we planned engagement with electricity suppliers on customer bill impacts and future revenues, and with political stakeholders on customer bill impacts, service improvements and job creation.

Telling the whole story

In Phase 2 we engaged on our plan with respect to stakeholder top priorities but we identified a need to communicate our plan as a whole and engage on this more widely. We decided to publish a short 'draft business plan highlights' document to give stakeholders an opportunity to comment on the entire draft plan before submission.

Phase 3

Phase 3 was about closing the loop on the business plan process. The aim of Phase 3 was to show how the feedback we received during Phase 2 made an impact on this business plan.
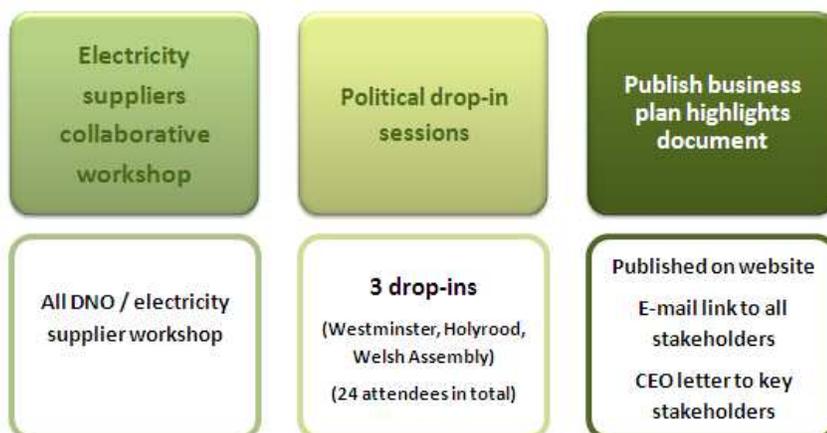
Political drop-in events

Stakeholders	MPs, MSPs, Welsh Assembly members.
Purpose/aim	The purpose was to allow politicians to learn about our plans for the RIIO ED1 period, including our proposed investment in the network, recruitment plans and our work on storm resilience. It provided politicians with the opportunity to ask questions. Senior managers were present to talk about the opportunities and challenges of the next price control review period.
When/where	London, Edinburgh and Cardiff in May 2013.
Format	Half day drop-in sessions at Westminster, Holyrood and Welsh Assembly.

Electricity supplier event

Stakeholders	Electricity suppliers
Purpose/aim	Collaborative industry event between all Distribution Network Operators (DNO) to share information with electricity suppliers on bill impacts and future revenues and to get their feedback on what they required from our final plan.
When/where	May 2013 London, hosted by the Electricity Networks Association
Format	Presentation to suppliers by each DNO with opportunity for electricity suppliers to ask questions of each DNO. Presentation focussed on what was important to electricity suppliers including customer bill impacts and future revenues.

Business plan highlights publication

Stakeholders	A broad range of stakeholders.
Purpose/aim	To give our stakeholders a chance to review our draft plan, give us their views on its content and tell us what additional information they would like to see in the final plan, when submitted in July.
When/where	Available for consultation from Friday 24th May for a 4 week consultation period. Published on our website, e-mail sent to all stakeholders in our database and hard copies sent to CEO's key stakeholders.
Format	Attractive 40 page magazine style document using easily understood language. The document included an online survey to make it easier for stakeholders to give their feedback on the plan. Each question related directly to a different section of the plan and allowed stakeholders to agree or disagree with our plans and give their comments. In addition, stakeholders could email or write to the team directly.

Taking learning from Phase 3 into the final plan

Our draft plan highlights document was well received. There were 73 responses to our survey and the majority agreed or strongly agreed with our proposals, ranging from 85% to 98%.

Comments on the overall impression of the plan included:

"Clear and concise"

"Nice overview which is clear and easy to follow"

"I would like to see slightly more detail"

Stakeholders requested more detail in several sections of the plan, which we have included. For example, we have included more detail on our contracting strategy (reference Chapter 10 - Business readiness), more information on the low carbon scenarios (reference Chapter 11 – Uncertainty) and maps showing all our investment projects as an annex to the plan (reference Annexes) .

Following publication of our draft business plan highlights, document every component of our plan has been optimised for efficiency, taking into account real price effects, cost benefit analysis and industry benchmarking. As a result, we have been able to further reduce the customer bill impact from the levels shown in the draft plan highlights document (reference Chapter 13 - Our revenues and customer impact).

Phase 4

We will continue our stakeholder engagement up to the start of ED1 and beyond, building on the good relationships we have already formed and consistently seeking to engage with new and existing stakeholders and customers.

Shortly after submission we will:

- *Publish a business plan highlights document in Welsh.*
- *Update our stakeholder video with the highlights from our plan and publish online.*

Before the end of 2013 we will:

- *Hold contractor stakeholder events to communicate the scale of our plan, changes to our contracting approach, and a timetable for purchasing.*
- *Engage with local authorities to communicate investment plan zonal maps.*

In 2014/15 we will:

- *Host tailored stakeholder sessions on specific topics.*
- *Host an annual stakeholder event describing current performance and letting stakeholders know what's coming next.*

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Stakeholder feedback

Key findings

Phase 1 identified 30 priority areas from across all 6 Ofgem categories of Safety, Reliability and Availability, Environment, Connections, Customer Satisfaction and Social Obligations. Of these 30 priority areas, stakeholder feedback identified 3 overarching priorities and 6 specific priorities:

Overarching priorities

Health, Safety & Environment	Value for money	Customer service

Specific priorities
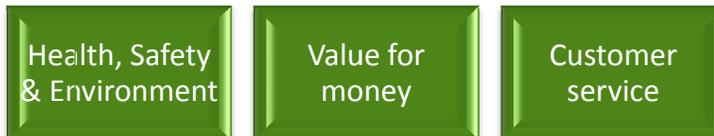
#1 Managing an ageing network	#2 Reducing the number and length of power cuts	#3 Investing for storm resilience
#4 Improving customer service during power cuts	#5 Improving service to poorly served customers	#6 Preparing the network for low carbon technologies

Willingness to pay

Willingness to pay analysis was conducted using the principles of simalto analysis, plotting importance against willingness to pay. Customers were first asked how important a topic was to them before then considering their willingness to pay. The results were then plotted on a matrix. When initially plotted, all investment areas appear in the upper right hand quartile, high importance and high willingness to pay. In order to prioritise investment areas, the scales were shortened so that a spread could be seen on a more concentrated scale.

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Importance vs willingness to pay (SPD)

Importance vs willingness to pay (SPM)
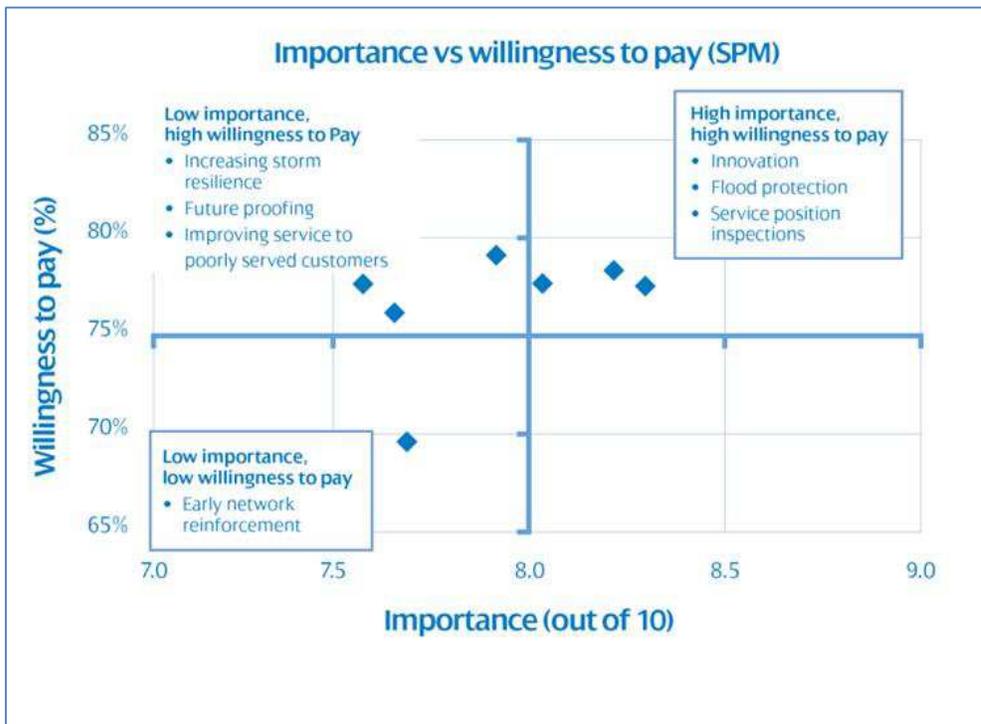
Key findings by output category

The following sections summarise the key stakeholder feedback findings by output category and the associated outputs in the business plan. Reference Chapter 6 - Learning from our stakeholders, for stakeholder feedback by priorities and reference Chapter 8 - Our outputs and incentives, for more detail on the outputs we will deliver.

Output category 1 – Safety

Our stakeholders want us to:
- *Maintain our excellent safety record.*
- *Continue to replace old services cables in tenements and high rise dwellings.*
- *Continue to protect our equipment from metal theft.*
- *Continue to educate young people about electricity safety.*

Stakeholders and customers felt we had a strong track record for safety and had difficulty in identifying any priorities over and above what we were already doing.

Security

There was agreement across a broad range of stakeholders that SP Energy Networks should be doing everything possible to protect equipment on the network. However, it was also accepted that metal theft is a wider issue and not under the control of the DNO. Senior managers across the company also suggested that being proactive on network security was a key priority, for example using security alarms and security systems to prevent theft.

We will safeguard our staff and members of the public and minimise disruption to supplies by implementing additional security measures to reduce the impact of interference and metal theft at our high risk substations.

Public Safety

Stakeholders raised the importance of replacing our old equipment (known as service positions within homes and businesses in order to minimise the risk of fire. Stakeholders supported the work we are doing in high-rise and tenement properties to reduce safety risk.

We will safeguard residents of flats and tenement buildings by continuing our major investment programme to modernise service positions and cables.

Stakeholders were presented with our investment proposals for service position inspections during Phase 2 workshops. After Smart meters have been rolled out there will be no requirement for meters to be read manually and no regular check of meters from a safety perspective. The majority of attendees at both workshops agreed this was a priority, agreed that it should be paid for by all customers and agreed with our proposed investment level. Our survey results further backed this position, with a high willingness to pay amongst customers, particularly in SPM.

Service positions will be inspected during the roll-out of smart meters across the UK to 2020. During this programme, DNOs will respond to reports of defective service positions at time of installation and in addition to this we have included a rolling 5 year inspection programme.

Some stakeholders who were supportive of this inspection programme also pointed out the need for Ofgem to ensure that meter reading and inspection cost savings from electricity suppliers were passed on to customers.

Educating young people

One area of discussion in relation to safety was the education of young people. Whilst many stakeholders highlighted this as a priority, individual domestic customers were more mixed in their opinions, with some suggesting this was already represented in the curriculum and that it was a not a priority for spending by a DNO.

We believe our spending on public safety is proportionate and we plan to continue our Industry Leading public education programme by delivering:
- *"PowerWise" Classroom Safety Education Programme - 4000 teaching days delivered to 400,000 children*

- *"PowerWise Web Site" - will exceed 1 million hits*
- *"Crucial Crew" Community Safety Events - 576 events delivering safety messages to 60,000 children*
- *Fixed Safety Education Centres "Risk Factory" and "DangerPoint" - combined footfall in excess of 128,000 visitors.*

SP ENERGY NETWORKS

Output category 2 – Reliability and Availability

Reliability and availability is the clear priority for stakeholders and customers.

Our stakeholders want us to:
- *Maintain our leading position in terms of reliability and availability of supply.*
- *Minimise the length and number of power cuts experienced.*
- *Continue to improve storm resilience across the network.*
- *Continue to improve resilience against substation flooding.*
- *Target investment to improve service to customers who are currently 'poorly' served'.*

Of the 6 specific top priorities identified, 4 of them come under the category of Reliability and Availability, clearly demonstrating that stakeholders and customers place the highest level of importance on network reliability:

Managing an ageing network

#1 Managing an ageing network

Customers and stakeholders recognise that maintenance of our ageing network is a key part of network reliability and that maintaining and replacing the network was a necessary activity.

Our plan includes a mixture of replacement and refurbishment in order to maximise the efficient maintenance of the existing network. Around 46% of the investment in our business plan is targeted directly at managing our ageing network, including repairing faults and inspecting, maintaining and replacing substations.

We will increase the rate at which we modernise our substations by over 20%, improving safety and security of supplies at a lower overall cost.

Reducing the number and length of power cuts

#2 Reducing the number and length of power cuts

This was seen as a priority for customers and stakeholders. There were mixed views on whether duration or number of power cuts was most important but there was consensus that both were important.

Individual domestic customers at Phase 1 focus groups were keen to express the importance to them of reducing the frequency and/or duration of power cuts. This was not unexpected, as we had specifically targeted respondents that had all experienced a power cut in the previous 12 months. However, reducing number and duration of power cuts was also something that was identified as a priority across all stakeholder groups

We will:

- *Reduce the average number of times our customers lose their power supply by 7%.*
- *Reduce the length of time those customers are without power by 16%.*
- *As a result of these improvements, reduce the average time our customers are off supply by 25%*

Guaranteed Standards relating to Power cuts:

- *We will reduce by 70% the number of customers experiencing a power cut of greater than 12 hours by 2016.*
- *We will aim to reduce by 100% the number of customers experiencing a power cut of greater than 12 hours by 2023.*
- *We will target zero failures in all other guaranteed standards.*
- *We will double the compensation for all guaranteed standard failures (excluding exceptional events where we make other arrangements).*

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Investing for storm resilience

| #3 Investing for storm resilience |

Customers and stakeholders recognise our success in making the network more resilient to storms as demonstrated by **41% fewer customers off supply and 32% fewer faults** in a recent storm comparison. They would like to see us invest more in this area than we originally presented in our draft plan, in particular in our SPD network, expanding our storm resilience programme.

Customer impact 1998 vs 2012 storm
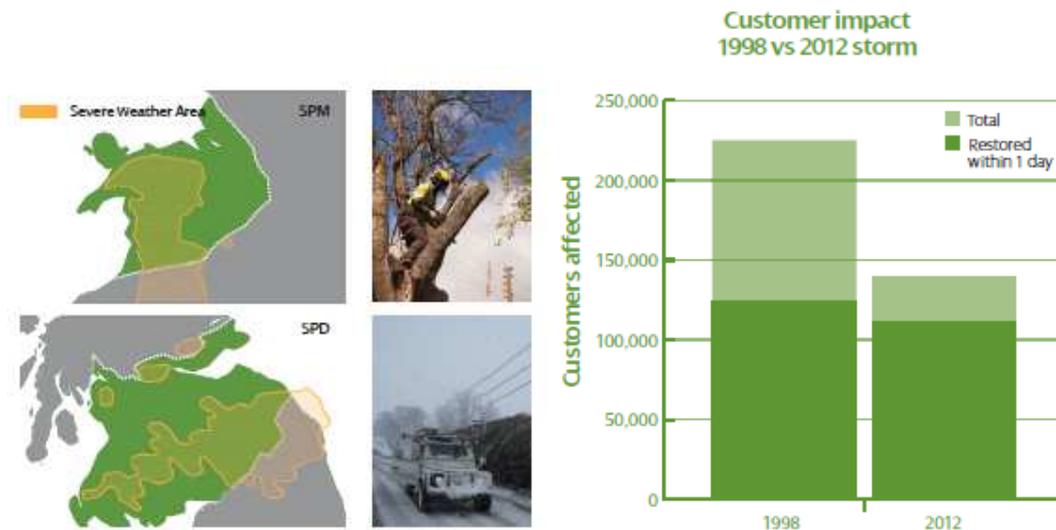
When presented with our investment options, most stakeholders agreed with our draft plan at both workshops, however a further 31% at our SPM workshop and a further 45% at our SPD workshop wanted us to do more than our draft plan. Employees, online stakeholders and customers rated storm resilience to be of high importance.

We will invest more in this area than we originally proposed, rebuilding an additional 10% of our network in severe weather areas.

- *We will ensure that all of our rural customers benefit from a distribution network that is resilient to severe weather events by 2034.*
- *We will make 25% of our rural high voltage network resilient to severe weather by 2023 and we will double investment in our low voltage overhead line networks making a further 32% resilient by the end of 2023.*
- *We will deliver a guaranteed standard to reconnect our customers after storm events within 36 hours.*

Improving service to poorly served customers

| #5 Improving service to poorly served customers |

Customers and stakeholders believe we should be paying more attention to those customers who receive a power supply service that is considerably worse than average.

Views were expressed that that those living in the worst served areas deserved some attention as everyone pays the same amount of money for the delivery of their electricity and should receive the same level of service. However, some of those in rural areas accepted a poorer supply as an unfortunate downside of where they have chosen to live, but did suggest more could be done to help them in the event of a power loss, e.g. supply of back-up generators or compensation for damaged equipment.

Where it is not possible achieve a repair quickly, we utilise generators or other temporary arrangements to minimise inconvenience to our customers.

We presented an investment option which would improve service to 40% of poorly served customers. In SPM, 70% of stakeholders at our workshop agreed with this plan, with 17% suggesting doing more. In SPD, 34%

agreed with this plan and 59% suggesting doing more. Our online and customer surveys demonstrated support for improving service to poorly served customers. In SPD there was support across all stakeholder groups for doing more and customers in SPD rated this as one of the most supported investment options.

We are targeting poorly performing overhead lines and cables to improve service to poorly served customers. In SPM, we have maintained investment at the levels originally proposed but in SPD we are investing more in response to feedback.

Flood protection

Stakeholders and customers felt that flood protection measures at substations were considered important due to changing weather conditions.

In Phase 2 we presented investment options on flood protection. 90% of those attending our SPM workshop and 82% at our SPD workshop agreed with our draft investment plans in this area. Customers in both areas rated this as one of the most supported investment options and there was also support from on-line stakeholders to do more.

In response to feedback, we have substantially accelerated our investment plans to reduce the risk of flood related disruption to approximately 168,000 customers. By the end of April 2015 (within the current price review period) all of our primary sites will be capable of withstanding at least a '1 in 100 year' flood event.

Power spikes

Individual domestic customers also suggested that the quality of their power supply was important, with concerns relating to low power and power spikes raised.

We will invest in power quality monitoring at primary substations will help us identify the location of non-permanent and recurring faults on the network, which can appear to customers as either low power, or power spikes.

Output category 3 – Environment

Reliability and availability is the clear priority for stakeholders and customers.

Our stakeholders want us to:
- *Increase the amount of 'future-proofing' on our network.*
- *Minimise oil and greenhouse gas (Sulphur Hexafluoride, SF6) leakage.*
- *Continue to underground cables where there is a proven benefit in terms of visual amenity.*
- *Underground cables for security of supply.*
- *Engage with local authorities and developers.*

Of the 6 specific top priorities identified, 1 of them comes under the category of Environment:

Preparing the network for low carbon technologies

#6 Preparing the network for low carbon technologies

Stakeholders saw the 'future proofing' of the network as of key importance, ensuring the network is ready to cope with future demand, generation and government renewable targets. Suggestions included gaining a better understanding of the capability of the current network through the creation of a 'smarter network' with the installation of more monitoring equipment.

We proposed investment options for future proofing to stakeholders in Phase 2 workshops and the vast majority of stakeholders wanted this to be included so we included the lowest investment option in our subsequent engagement with stakeholders, employees and customers. Despite this being something of lower importance to customers, high willingness to pay was demonstrated across the board.

We will include a number of different future proofing elements in the plan equivalent to the investment option supported by stakeholders including:

- *Rebuilding 11kV overhead lines in normal weather areas with larger capacity conductors.*
- *"Smart" metering to monitor demand profiles in secondary substations.*
- *Control & automation of switchgear in secondary substations to enable demand transfer.*
- *Replacement of LV overhead main lines with larger capacity underground cables.*

In addition:
- *We will identify LCT hotspots using network monitoring, data from smart meters and stakeholder engagement to inform investments.*
- *We will extend the coverage of modern ethernet based communications to 90% of our main substations to enable innovative network management techniques.*

Carbon footprint

Stakeholders suggested that reducing the company's own carbon footprint was important and was a key expectation given the size of the organisation. This feedback was also given by internal employees, who suggested home working, local office working and electric fleet vehicles as potential ways to manage the company's environmental impact.

We will reduce the carbon footprint of the business:
- *We will use our electronic vehicle management system to optimise our vehicle utilisation, keeping vehicle numbers broadly similar in ED1.*
- *We will increase the use of electric vehicles and charging points.*
- *We will monitor and reduce the energy used within our substations, invest in lower carbon buildings and reduce energy use in existing buildings.*
- *We will utilise low carbon alternatives to travel, through the use of technology and smarter ways of working.*

Removal of overhead lines

Stakeholders discussed the undergrounding of cables, more relating to security of supply than visual impact and it was unclear which was of more importance. In addition, employees suggested the removal of overhead LV lines in villages and the removal of up and over poles as ways to improve the environment in our licence areas.

We will continue our programme of undergrounding overhead lines in Areas of Outstanding Beauty, undergrounding 85km of overhead lines.

In order to provide the network capacity to accommodate anticipated growth in low carbon technology and minimise the environmental impact associated with very large overhead line conductors, we expect that it will be necessary for some LV overhead lines to be replaced with underground cable. Reference Chapter 9 – Our expenditure forecast.

As part of our work on protecting the public from the danger of overhead lines we will consider undergrounding as a solution in recreational areas. Reference Chapter 9 – Our expenditure forecast.

Output category 4 – Connections

Our stakeholders want us to:
- *Ensure greater flexibility in the connections process to remove red tape*
- *Further improve our communication with customers and provide a single point of contact for queries*
- *Improve transparency of information, including budget quotations and network capacity*

Of the 6 specific top priorities identified, 1 of them comes under the category of Connections:

Preparing the network for low carbon technologies

#6 Preparing the network for low carbon technologies

Stakeholders were concerned with the time it took to connect to the network and the apparent barriers to connection. They would like us to make it easier to connect low carbon technology to the network.

We asked our stakeholders for their views of reinforcing the network earlier than we currently do. 95% of SPM stakeholders and 94% of SPD stakeholders at our workshops agreed this was a priority. In SPM most respondents supported our draft plan, in SPD almost half suggested we should do more than our draft plan and we were minded to go further in SPD as a result. However, when this proposal was taken to our domestic customers, this was the least supported investment option amongst customers.

We have maintained the draft plan position in both areas which includes a significant change in our approach to earlier network reinforcement.

Our commitments for faster connections:
- *We will reduce our general load investment trigger by 20%, enabling quicker connections in future.*
- *We will meet our connections guaranteed standards of service 100% of the time.*
- *We will always work with customers to try to deliver a fast track quotation when they need it – not just within the guaranteed standards.*
- *We will always work with customers to try to deliver a fast track connection when they need it – not just within the guaranteed standards.*
- *We will ensure our average time to deliver connections is amongst the industry best.*
- *We will use innovative solutions to meet the uptake of low carbon technologies.*

Customer service in connections

Stakeholders had strong views on customer service associated with the connections process. Customers were keen for more partnership working, flexibility and making it easier to connect. A lack of flexibility in the process and an amount of 'red tape' were noted as key issues. In addition, it was felt there was a clear need for a single point of contact for all stakeholders.

Providing of First Class Customer Service – in response to this feedback we are committed to the following outputs:
- *We will actively engage customers and stakeholders through events, monthly surgeries, surveys and one to one meetings to understand their ongoing needs.*
- *We will build our business, operating and improvement plans around their needs.*
- *We will ensure our customers are kept informed of the connection process throughout every stage:*
  - *We will be proactive in our approach minimising the need for customers to have to contact us – we will contact them first.*
  - *We will communicate with our customers through their media channel of choice.*
  - *We will develop communication plans tailored to meet individual needs.*
  - *Through our communication we will remove any uncertainty.*
- *We will continue to work with our major customers to further improve the service we offer.*

Provision of information

Potential suggested improvements included the introduction of more transparency of information, particularly with regards to network capacity and the provision of budget quotations in advance of an application.

Based on phase 1 feedback, we offered stakeholders at our workshops a proposal to develop a model of our low voltage network to help aid transparency of new connections. 47% agreed at our SPM workshop and 52% agreed at out SPD workshop. When asked who should pay for this, the majority of respondents at both workshops suggested it should be paid for only by connections customers.

- *We have not included expenditure for a low voltage model of our network but we will consider developing a model that connections customers could pay for in the future.*

- *We are developing a range of online tools to make the application and design process better for our customers.*
- *We are developing on-line detailed 11kV heat maps to provide up to date information on potential connection capacity.*
- *We will continue to develop and expand our online cost calculators and introduce online quoting.*
- *We will identify LCT hotspots using network monitoring, data from smart meters and stakeholder engagement to inform investments.*

Collaboration on plans for the network

Employees and stakeholders noted that the company should work more closely with local planning authorities and collaborate with industry for renewable energy needs and demands.

65% of stakeholders at our SPM workshop and 68% at our SPD workshop supported our plan to target strategic engagement at local authorities with the highest populations in the short term. 68% in SPM and 96% in SPD also agreed that the provision of geographic maps with future investment activity would be useful.

- *We have created visual zonal maps to help customers and stakeholders better understand when and where we will invest in the network. Reference Chapter 10 - Business readiness.*
- *We have outlined how we will keep local communities informed about our investment plans. Reference Chapter 10 – Business readiness.*
- *Our dedicated Cities Team will develop integrated energy plans with the key cities in our licence areas.*

Output category 5 – Customer Satisfaction

Our stakeholders want us to:

- *Improve customer service experience for a domestic customer reporting a power cut.*
- *Improve awareness of who SP Energy Networks is and how to contact us*
- *Give customers up-to-date information*
- *Increase the use of text messaging to keep customers up to date*
- *Make the telephone number to report a power cut easier to find, potentially by posting information to homes*

Of the 6 specific top priorities identified, 1 of them comes under the category of Customer Satisfaction:

Improving customer service during power cuts

#4 Improving customer service during power cuts

When discussing customer satisfaction, customers and stakeholders focused on the customer experience during a power cut. They would like us to make it easier to know who to contact in a power cut, how to contact us during a power cut, and to keep customers updated during a power cut.

Individual domestic customers noted surprise that we rely on customers to inform them of a network fault. There was an expectation that this information would be available electronically and readily available.

We will use Smart Metering Data proactively to help customers understand what is happening on the network, particularly during fault conditions.

Stakeholders and customers would like us to use multiple channels for communication including telephone, email, websites, text, and social media. Keeping customers updated via text messaging during a power cut was most popular but the option of talking to someone on the phone was still a requirement.

91% of stakeholders at our SPM workshop and 80% at our SPD workshop agreed that a multi-channel approach was a priority for us. When asked which communication channels we should adopt for communication during a power cut, there was broad support for every option, between 12% and 22% at SPM and between 9% and 30% in SPD but most support was demonstrated for updated by text message. When asked for the best way to report a power cut, there was still substantial support from domestic customers for the traditional telephone call (80%).

Communicating with customers:

- *We will continue to provide a restoration time for every outage.*
- *We will contact all customers impacted by an outage to keep them informed during the outage, through multi channel options.*
- *We will write to all customers in advance of a planned interruption and will text them the day before to remind them.*
- *We will continue to answer calls in less than 10 seconds and will never force disconnect calls. If a customer wants to speak to someone they will always have that option.*
- *We will never transfer you when you call us. If the person you are speaking to can't help, they will always take your details and you will be called back.*
- *We will compensate you with a £10 payment if we fail to call you back.*

Knowing who to contact

A broad range of stakeholders suggested that it was difficult to find the telephone number for reporting a power cut and that people were not sure who they should call. Evidence suggested customers often contact their supplier first, adding to the confusion and frustration. Recommendations included ensuring that the number was easily available in traditional printed telephone directories and that something is sent out to customers so they have the number to hand in the event of a power cut.

We will continue our annual customer awareness campaign to raise awareness of who SP Energy Networks are and when and how to contact us.

Output category 6 – Social Obligations

Our stakeholders want us to:
- *Raise the profile of the Priority Service Register to ensure the right people are registered.*
- *Identify vulnerable customers by working with third parties such as charities, GPs and social services.*
- *Provide regular updates during an extended power cut to vulnerable customers and work in partnership with third parties to provide support.*
- *The fuel poor were a concern for stakeholders; however they struggled to suggest a specific role for SP Energy Networks in supporting this sector of society.*
- *Continue to be involved with charitable initiatives and raise the profile of this activity.*

Stakeholders and customers often discussed their concern for vulnerable people during a power cut, even before we consulted on the topic. There was very low awareness of the Priority Services Register and a strong view that we should be working with other agencies to help vulnerable customers and increase awareness of the register.

Our Priority Services Register for vulnerable customers:
- *We will always ensure our people are trained to recognise and deal with vulnerable customers sensitively.*
- *We will proactively contact all Priority Service Registered customers at least every 2 years.*
- *We will continue to establish mechanisms to share information on vulnerable customers with other agencies and authorities.*
- *We will engage with GP Surgeries, Libraries, Post Offices and Pharmacies to make sure our communities are aware of our Priority Services Register.*

Improving the services provided for vulnerable customers:
- *We will send a welcome letter and information pack to every new customer joining the Priority Service Register.*
- *We will contact our vulnerable customers during an unplanned outage at least every 4 hours.*
- *We will contact all vulnerable customers in advance of planned power interruptions and review their individual supply requirements.*
- *We will continue to produce winter packs and make them available to all of our vulnerable customers.*

Helping the fuel poor

Stakeholders struggled to see a role for us in helping the fuel poor. Stakeholders did not want us to provide energy efficiency advice direct to customers, but thought we should help other agencies deliver the energy efficiency message to the fuel poor.

We proposed developing a way of providing independent energy advice to customers. At our SPM workshop 61% disagreed with this proposal stating clearly that we should be working with agencies to deliver this rather than directly with customers. At our SPD workshop we changed the proposal to offer advice to agencies and 80% of stakeholders did agree, but 74% suggested customers should not pay for this. We took on board this feedback and did not take this proposal to our domestic customers, employees or online stakeholders. Instead we will work with agencies to help the fuel poor.

Stakeholders suggested engaging with the worst served communities in order to understand the issues the company is facing in their area and any plans in place to improve the service.

Working in Collaboration with our Communities:
- We will continue to work with agencies to understand how we can collaborate to best support our customers and communities.
- We will deliver initiatives that will help the fuel poor by working with agencies such as Energy Action Scotland, National Energy Action, Scottish Government Fuel Poverty Group etc.
- We will target initiatives to our most vulnerable areas, where they are both fuel poor and off gas grid. Our business plan includes a range of measures to help vulnerable customers and raise awareness of our Priority Services Register.

Helping customers during extended power cuts

Stakeholders noted that additional support should be provided on the ground in an extended power cut and it was suggested we work with local authorities, social services or charities to achieve this. The provision of generators was also suggested.

- *We will continue to work with Emergency Planning Officers to provide support to our vulnerable customers during outages.*
- *We will continue to work in local communities impacted by outages to ensure they have access to hot meals, drinks and company.*
- *We will make automatic compensation payments to all Priority Service Registered customers should we fail to restore their supply within 12 hours following a fault.*

Helping to create employment opportunities

Stakeholders discussed that as a large organisation, we had a responsibility to provide work and training for local people.

We plan to create more than 2,500 jobs across our supply chain, investing up to £60m in recruitment and training. Reference Chapter 10 – Business readiness.

Stakeholder feedback incorporated into our business plan

In Chapter 8 – Our outputs and Incentives, we detail how the individual outputs we will deliver in this business plan have been influenced by stakeholder feedback.

In addition to engaging around the 6 Ofgem output categories we also engaged with stakeholders on the following areas in support of our business plan preparation:

- *Our innovation strategy – Chapter 7*
- *Business readiness– Chapter 10*
- *Uncertainty – Chapter 11*
- *Financing our plan efficiently – Chapter 12*

Our innovation strategy – Chapter 7

We have included innovation throughout our plan and outlined our strategy for innovation in Chapter 7. We engaged with our stakeholders on what level of innovation funding we should target as part of the business plan.

Stakeholders were presented with options for investment in innovation at our stakeholder workshops. Over 50% of stakeholders we asked were in favour of an allowance of at least 0.75% of our allowed revenue based on our proposed strategy and benefits. This was further supported by our customer survey where this investment option was one of those that attracted most support from domestic customers. Customers rated the investment option .

We have included a Network Innovation Allowance of 0.8% of annual revenue to allow us to deliver our Innovation Strategy. Reference Chapter 7 – Our innovation strategy.

Business Readiness – Chapter 10

We use a range of contractors and suppliers to help us to deliver our expenditure plans and it was important to us that we engaged with our delivery partners on what preparations were needed in readiness for ED1.

We hosted two stakeholder events with contractors and suppliers and used audience response equipment to promote discussion amongst a group of stakeholders that may have been reluctant to speak out in front of their competitors. The format of the event was very well received and prompted useful discussion about what we could do differently.

Contract structures

78% of contractors who attended out events preferred contracts with a duration of longer than 4 years, highlighting the inability to invest for the future with a shorter contract. Contractors and suppliers noted that they would consider moving towards a new type of contractual relationship with SPEN, more reflective of the RIIO framework.

Contractors and suppliers were aware of an emerging industry skills gap, with 83% saying they would start recruiting within the next 12 months. However, it was noted that without longer contracts and the security those bring, it would not be possible to invest in long-term recruitment or training schemes.

Where the market conditions are appropriate, we are seeking to establish longer term agreements to support our interaction with our supply chain. Where appropriate, our contracts with suppliers and contractors will share the incentives and penalties agreed by Ofgem. Adopting this approach, these incentive mechanisms will reach our whole supply chain, driving sustainable performance and bringing improved.

Rewarding Innovation

Innovation is a key aspect of the RIIO framework and our contactors and suppliers recognised this is often a point of differentiation when winning work. Whilst they were concerned about sharing innovation with competitors there was a recognition that the application of innovation was essential to meet the challenges of the ED1 period.

Within Chapter 7 – Our innovation strategy, we outline our approach to innovation and how we intend to collaborate with our suppliers, contractors and our broad range of stakeholders to deliver tangible and meaningful benefits for our customers.

The Authorisation Process

To carry out work on the electricity network, contractors require safety authorisations which are issued by the licensed DNO. At our events, 72% of respondents thought our authorisation process could be improved. The main issue repeatedly raised was the need for a faster authorisation process.

We are committed to reviewing our authorisation process and we will consider the processes used by other DNOs. Safety is our top priority and at the forefront of everything we do.

Uncertainty – Chapter 11 (Low carbon technology uncertainty)

Over the next decade we expect to continue the transition to a low carbon economy. We do not know how fast this transition will be, but we know the network needs to be ready to support the transition to accommodate more electricity demand and more distributed generation.

At our Phase 2 stakeholder events, we engaged with stakeholders on which of the Department of Energy and Climate Change's (DECC's) low carbon scenarios would be most appropriate for us to plan our investments around. We also sought feedback on the whether to adopt High, Medium or Low scenarios for three key elements of heat pumps, electric vehicles & charging points and photovoltaics through the use of audience response voting.

Stakeholders voted in support of our proposal for a scenario that had a medium forecast against each of the elements with over 70% of the votes at each of the events. However, this contradicted voting on the individual components which tended to support the low and medium scenarios. We used voting on the individual components to derive a new scenario which better reflects stakeholder views.

We have included a Low Carbon Scenario that reflects stakeholders views on each of three key elements of heat pumps, electric vehicles & charging points and photovoltaics. Reference Chapter 11 – Uncertainty.

Financing the plan efficiently – Chapter 12

We engaged with the investor community on the overall financing package required to deliver the level of expenditure outlined in the plan.

We conducted a review of the feedback Ofgem had received to their consultation on the RIIO ED1 policy decision in March 2013, in particular the financial elements. We also conducted a review of investor reaction to the RIIO T1 financial packages. This helped us inform our thinking on our business plan financial package.

We also prepared our own stakeholder survey on the financing package and circulated this to investors seeking their input on the shape of the financing package.

This engagement has identified that stakeholders are in broad agreement on the identified credit metrics and, where opinions have been given, generally stakeholders believed that an appropriate gearing level would be in the 60-65% range and that an appropriate cost of equity would be in the top half of Ofgem's indicated range. One supplier suggested that consideration should be given as to whether the depreciation timescale for existing as well as new assets should also be 45 years.

On the whole and after careful consideration of all of our stakeholders' opinions, we consider that our base assumptions included within this Business Plan strike an appropriate balance for all stakeholders while ensuring our business is financeable under a range of assumptions.

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Ongoing stakeholder engagement

Stakeholders will continue to shape our future. We will regularly share our performance against business plan with our stakeholders and we are committed to enduring stakeholder engagement.
Stakeholders have told us that they want more tailored events but that broad business planning events are also useful. Stakeholders want a variety of means of engagement with us from participation at events through to receiving information updates:

- *We will further develop our online community to support our stakeholder engagement, customer engagement and employee engagement programmes.*
- *We will embrace stakeholder engagement as "business as-usual" and will build on the approach of more focussed engagement.*
- *We will introduce an annual programme so stakeholders know what engagement to expect.*
- *We will report our performance against plan and outputs at an annual stakeholder event*
- *We will provide an annual stakeholder communication on our engagement activities and actions.*
- *We will continue our annual customer awareness campaign to raise awareness of who SP Energy Networks are and when and how to contact us.*

Listening to stakeholders

We have incorporated stakeholder feedback and customer willingness to pay results extensively throughout our business plan. This is reflected within our proposed outputs and our forecasted expenditure over the 8 year period.

We have ensured that where we have increased our levels of investment, this is backed up by a clear engineering case and stakeholder support.

We have learned much about our stakeholder community throughout the process of engagement and as we transition into our enduring engagement activities, we believe that this will serve us well into the future. At times, it has been necessary for us to balance the varied and sometimes conflicting requirements of different groups of stakeholders, whilst setting this against customer priorities and their willingness to pay.

We believe this business plan achieves the right balance of benefits for all interested parties.