

SP Energy Networks 2015-23 Business Plan

Updated March 2013

Annex

Learning from Stakeholders

SP Energy Networks

Learning from our stakeholders

About this document

In this stakeholder facing annex to our 2015-23 Business Plan (March 2014) we provide a more detailed overview of our stakeholder engagement process, what we learned and how this helped shape our plans for ED1 and beyond.

Where to find additional information on Stakeholder Engagement

We provide a summarised explanation of our 'business as usual' stakeholder engagement in section 'Our Approach' of our main business plan B3b Stakeholder Engagement.

We also provide a high level summary of stakeholder engagement specifically carried out for ED1 in section 'Preparing Our 2015-23 Plan' B4a. Our Stakeholder Engagement Process.

In addition, we have provided a number of supplementary annexes which provide even greater detail:

• **SPEN – Stakeholder Engagement – explains in great detail our phased engagement process, who we engaged with, the methods used, the results of our analysis and how we used this information to inform our plans for ED1.**

• **Explain – Stakeholder Feedback Reports (Phase 1) & (Phase 2) – provides an independent report on the design and analysis of results from both phases of ED1 stakeholder engagement and makes recommendations for consideration by SPEN.**

• **3KQ – Stakeholder Panel Scoping Phase Report - provides a summary of the scoping research exercise carried out by independent dialogue and engagement specialists 3KQ in establishing the SPEN Stakeholder Panel during October and November 2013.**

'Useful to be involved in these discussions at an early stage'

Consumer group representative who attended the Phase 1 stakeholder event in Glasgow



Our stakeholder engagement process

Stakeholder views are important to us and have influenced what is in our plan and how we have presented our plan. We have stepped up our engagement on the business plan and engaged with stakeholders from the very start of this process and taken them with us as we've developed the plan. They have influenced our investments and are the driver for our future performance targets. Stakeholder views were not always aligned and we have strived to achieve the right balance of benefits for all interested parties.

We have engaged with more than 2,000 stakeholders and customers in the development of our plan.

The process at a glance

Highlights:

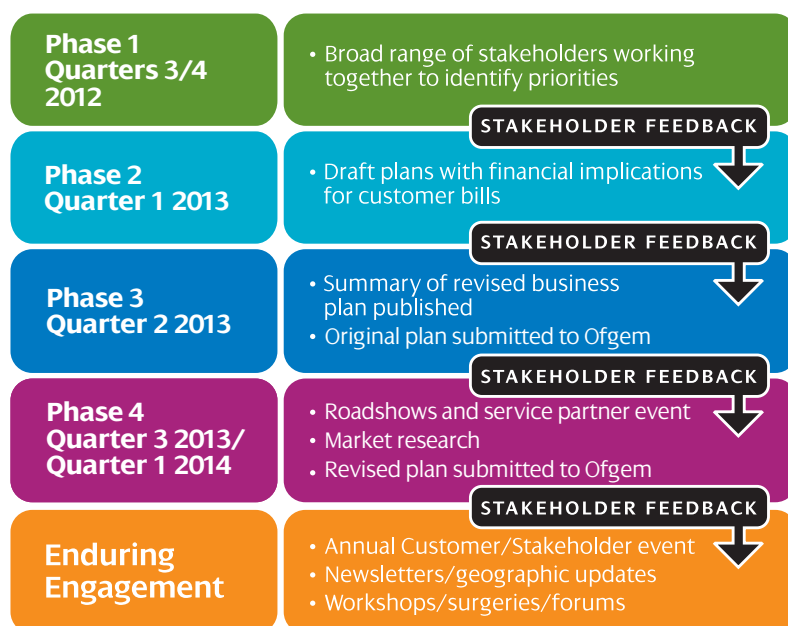
- *have engaged with 2,000 customers and stakeholders during our business plan preparation.*
- *97% of stakeholders who attended our draft business plan stakeholder events felt we were listening to their views.*
- *Stakeholder feedback varied between licence areas, and across stakeholder groups.*
- *We are doing more in storm resilience as a result of stakeholder feedback.*

Our stakeholder engagement process has involved a broad range of stakeholders who we have engaged with in a number of different ways. Our engagement strategy has been simple four-phase approach, as illustrated below.

This comprehensive strategy meant that stakeholders were able to influence our plan preparation at a number of stages:

- *We captured a broad range of stakeholder's views through our accessible variety of events.*
- *For those who couldn't attend our events in person, information was made available on our website.*
- *Telephone and online surveys were provided as alternative means of providing feedback.*
- *To make sure that all voices were heard, we used independent facilitators to collect the key themes that emerged.*

Stakeholders have shaped our business plan. We are committed to delivering that plan.



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

A Broad Range of Stakeholders

Our stakeholders include our wide range of customers (from large demand customers to small generation and domestic customers), local authorities, developers, contractors, suppliers, research bodies, environmental groups, and many others.

Our database of stakeholders grew from 1,200 to 1,800 during the engagement process for our business plan, and an independent review concluded that no stakeholder group was missing from our map. They further added that:

SP Energy Networks has the foundations of an extremely comprehensive and inclusive stakeholder database

Quote from Explain Market Research

Varied Means of Engagement

At each phase of the process we used a combination of engagement routes to collect the broadest possible range of stakeholder views. For example, during Phase 1 we identified gaps in stakeholder representation at our events and rectified this through targeted in-depth telephone interviews.

All stakeholder event material, independent reports, on-line surveys and actions in relation to feedback have been published on our website:

www.spenergynetworks.co.uk click on Have Your Say, then Business plans, then Distribution.

Localised engagement

The networks in our two areas are different and our investments have a different impact on customer bills. We engaged on each plan separately, showing the relevant bill impact, and on some topics received different feedback by region.

Stakeholders throughout the UK told us that they want:

- *The network to be operated in a cost efficient way to keep bills down.*
- *Their electricity supply to remain no less available and reliable than it is at present.*

Stakeholders in Scotland specifically wanted us to do more to improve services for poorly served customers and undertake even earlier reinforcement of the network, although the latter was not supported by customer willingness to pay surveys (see Responding to polarised feedback).

	Purpose	Engagement media	Target audience
Phase 1 Quarter 3/4 2012	Identify priorities ahead of drafting plan	Facilitated events Telephone interviews Tailored events Focus groups Facilitated event	All stakeholders All stakeholders Contractor/supplier stakeholders Customers Employees
Phase 2 Quarter 1 2013	Share draft plan Providing options around priorities	Facilitated events On-line survey Face-to-face survey On-line survey	All stakeholders All stakeholders Customers Employees
Phase 3 Quarter 2 2013	Share revised plan showing where plan has been changed	On-line consultation Tailored event Web publication On-line consultation	All stakeholders Political stakeholders Customers Employees
Phase 4 Quarter 3 2013 to March 2015	Continue engagement Up to the start of RIIO ED1.	Facilitated events Targeted events Targeted events Web publication	All stakeholders Contractor/Supplier stakeholders Local authorities All stakeholders

Senior Management Involvement

The management team responsible for preparing the business plan received feedback from stakeholders first hand at our stakeholder events and a director of the organisation was also present at the events to give an opening statement and talk to stakeholders.

Updates were presented regularly to all directors to ensure the views of stakeholders were being heard at the top of the organisation.

Independent external review

We are aware that other DNOs have taken the approach of using external groups of stakeholders to review aspects of their business plans. We also felt that an independent external review was very important and so asked David Elmes (Professor of Management Practice and Head of the Warwick University Business School, Global

Energy Research Group) to conduct an external review of our plan.

In addition, we invited DNV to undertake assurance of our approach to stakeholder engagement with reference to the AA1000SE Stakeholder Engagement Assurance Standard and the principles of inclusivity, materiality and responsiveness included within that. Their recommendations have helped us to further develop our approach to stakeholder engagement.

At each phase of the process we used a combination of engagement routes to collect the broadest possible range of stakeholder views

Our phased approach

Phase 1

We sought stakeholder views on priority areas before preparing the draft business plan. This included:

- *Two stakeholder events to identify priorities in September 2012 with 47 participants.*
- *Eight domestic customer focus groups in October 2012 with 58 participants.*
- *In-depth telephone interviews to plug stakeholder gaps in November 2012 with 33 participants.*
- *Two contractor/supplier events in November/December 2012 with 88 participants.*
- *An employee leadership event in November 2012 with 130 participants.*

We used independent facilitators to collect key themes from our stakeholder feedback (see **Annex B3 – Stakeholder Engagement**). Around 30 priorities from across all Ofgem output categories were identified. Of these, six specific topics came through as the top priorities (see Feedback – key findings) and these formed the basis of our Phase 2 stakeholder engagement activity.



Phase 2

We explained our draft plan to our stakeholders during plan development. We made sure the draft plan was understandable and highlighted the impact it would have on customer bills, then asked what improvements they would like us to make.

The plan was presented in a way that focused on the six top priorities identified in Phase 1, and our activities included:

- Two stakeholder events to share the draft plan including options to vote in February 2013 with 51 participants.
- An online stakeholder survey to plug stakeholder gaps in April 2013 with 47 participants.
- A face-to-face domestic customer willingness to pay survey in April 2013 with over 1,000 participants.
- An employee online survey in April 2013 with 437 participants.

Our activities were again supported by independent facilitators at the events and during the analysis stage (see **Annex B3 – Stakeholder Engagement**). Stakeholders, customers and employees were all presented with the same investment options, in a way that was tailored to the audience and method of engagement.

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

Consumer group, February 2013, attendee at Phase 2 stakeholder event.

'Useful to be involved in these discussions at an early stage'

Consumer group representative who attended the Phase 1 stakeholder event in Glasgow

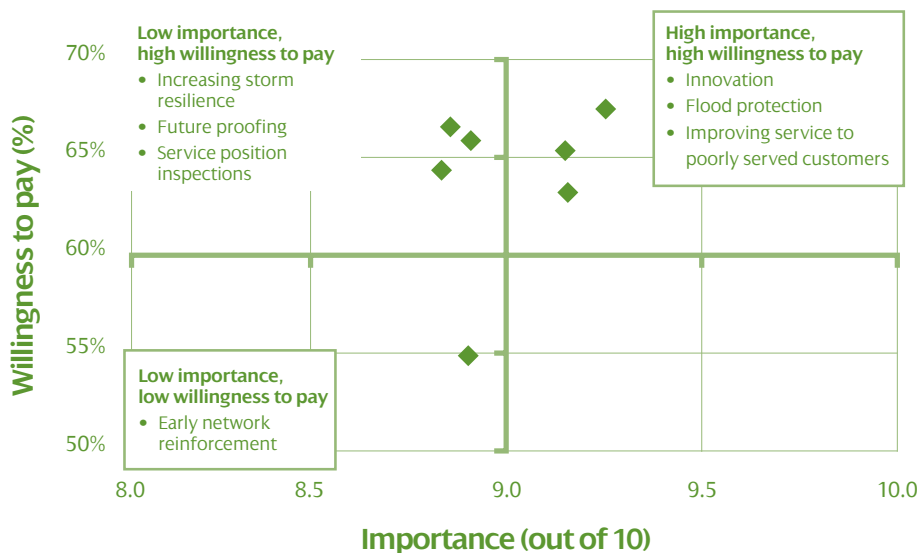
Giving stakeholders the detail required to make informed decisions

Stakeholders told us detail was important if they were going to be able to make decisions about future investment in our electricity network:

Tailored material

At our stakeholder events, we presented material which was tailored specifically to the audience, e.g. investment levels and bill impacts **specific to licence area** (Phase 2 workshops) and material **specific to stakeholder group** (Phase 1 contractor/supplier events). We also **simplified** our material for our domestic customers.

Importance vs willingness to pay (SPD)



Impact by location and by customer group

At our workshops and on our website, we ensured our customer bill impact information was **specific to each licence area** and included **bill impact by domestic and business customer categories**.

Audience response

At our events we used an **innovative** audience response system, which allowed stakeholders the opportunity to communicate their own preferred options and to get an **instant impression** of thinking amongst peers.

Tracker sheet

At the stakeholder workshops, we provided stakeholders with a 'tracker sheet' showing all the investment options on one page and the impact on the customer bill, so that stakeholders could keep track of the **cumulative impact of the bill change as a result of their choices**. We adopted this as best practice from another DNO and refined it to include more information.

Online survey functionality

Our online surveys, designed for stakeholders and employees, both **featured innovative functionality** which allowed stakeholders to vote on their preferred investment levels and see the potential **impact of these decisions on the total average customer bill**. Stakeholders then had the opportunity to revise their choices.

Publishing changes

We published the presentations, handouts and audience response data from our events on our website and sent emails to stakeholders with a link to the published material. This was important in order to **reach those who could not attend on the day**. In addition, **at the request of stakeholders** attending our Phase 2 workshops, we updated our tracker sheet with the audience response data and the proposed changes we were considering making to the plan as a result.

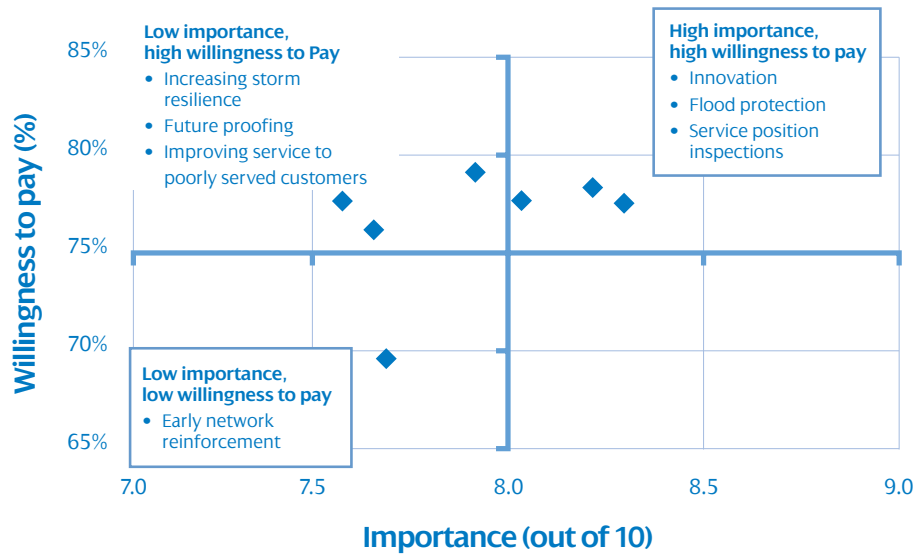
Willingness to Pay

We conducted willingness to pay analysis using the principles of simalto analysis, plotting importance against willingness to pay (see **Annex B3 – Stakeholder Engagement**).

We first asked customers how important a topic was to them before then considering their willingness to pay. We plotted the results on a matrix. When initially plotted, all investment areas appeared 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.

In general, customers were primarily interested in bill reductions. Our SPD domestic customers suggested they were willing to pay an average of £94 per annum (lower than current average) and our SPM domestic customer suggested they were willing to pay an average of £120 per annum (lower than current average). Our customer bill impacts achieve this aim for our

Importance vs willingness to pay (SPM)



customers (see **Chapter 13 – Our Revenues and Customer Impact** for bill reductions). The simalto analysis provides valuable directional insight into what customers feel is important and where they have an underlying willingness to pay.

The results in each area were similar with only minor differences:

Customers demonstrated least support for what we described as ‘strategic investment’ which is triggering earlier network reinforcement. However this investment option received significant support from stakeholders at events (see later for ‘Responding to polarised feedback’)

Phase 3 Sharing the Business Plan

We published the highlights of our business plan in May 2013. The highlights document was specifically designed for our stakeholders:

- *Using language that was understandable to our stakeholders.*
- *Compact, in order to be readable for our stakeholders.*
- *Including information specifically requested by stakeholders, e.g. greater detail on resourcing on an area by area basis and more detail on our revenues and impact on customer bills.*
- *Published at a time where we could provide specific detail to stakeholders, whilst still allowing for a 4 week consultation period.*
- *Accessible through our website, in high and low resolution formats, and emailed directly to our stakeholders.*
- *Accompanied by an online survey, to make it easier for stakeholders to give us their feedback.*

Prior to publication, we communicated our draft investment plans and the revisions we were making to them, to two key stakeholder groups who represent our customers:

- *Electricity suppliers, at a collaborative engagement event with other DNOs.*
- *Politicians, at drop-in sessions at Westminster, Holyrood and Cardiff.*

As a direct result of our Phase 2 stakeholder workshops, we established a relationship with the prominent fuel poverty action group in our Scottish licence area – Energy Action Scotland. We worked closely on the development of our business plan and in particular on a collaborative proposal for addressing fuel poverty through energy efficiency measures and awareness raising in community buildings.

Our ‘draft plan highlights document’ was well received. For every question asked in our online survey, the proportion of respondents who agreed



We published Welsh language versions of key business plan documents

Social Obligations Working Group established with key stakeholders

or strongly agreed with our proposals was consistently over 80%.

Phase 4

Since we submitted our business plan in July 2013, we have continued our engagement with stakeholders. In particular we have extended our engagement around fuel poverty measures to include National Energy Action, the prominent fuel poverty organisation in our SPM licence area.

Making the plan accessible

Shortly after publication we emailed all our stakeholders to provide them with access to our plans, an updated version of our stakeholder video with key highlights from our plan and a route for their feedback. We also published additional material including a highlights document, leaflet and individual factsheets. For our stakeholders who prefer to use Welsh, we published our plan in the Welsh language and directly contacted all our Welsh stakeholders to let them know. We worked hard to make information available in a variety of formats from lots of detail to high-

level messages and from an expert perspective to a customer perspective.

Employee engagement

Within the company, we focussed initially on engaging with our own employees and ensuring they understood the plan and its implications for the way we do business. Senior management and directors visited every depot, holding 22 roadshow events to discuss the plan, answer questions and take away feedback and actions. In September, the plan was also communicated to senior managers from across the company and workshop sessions used to consider how best to meet the challenges of the RII ED1 period.

Service partner engagement

We also engaged externally. As part of our annual service partner event in November 2013, in response to previous feedback regarding a forward view on future plans, we presented details from our business plan, provided business plan materials to every attendee and used interactive voting, SMS feedback

and a Q&A session to engage on key topics. 100% of those in attendance said they would like to attend future events.

Stakeholder survey

We also continued market research activity with our stakeholders, conducting a monthly survey between September 2013 and December 2013 which allowed us to benchmark levels of satisfaction, check on priorities for engagement and identify any emerging issues for our stakeholders. Emergency planning is a new emerging priority which came through in the December 2013 survey. This will be a new working group topic for the strategic panel.

New engagement vehicles

In January 2014 we held a workshop for a carefully selected group of around 20 key influential stakeholders. Our CEO personally presented the detail from our plan and fielded questions from the assembled group. At this session we also established a social obligations working group with stakeholders, to help determine the detailed delivery of

social obligations strategy and to target desired outcomes with expert input.

Feedback

Key Findings

Phase 1 identified 30 priority areas from across all 6 Ofgem output categories of Safety, Reliability and Availability, Environment, Connections, Customer Satisfaction and Social Obligations.

Of these 30 priority areas considered as part of the planning process, the top 6 were identified by stakeholders at events and these were taken forward into phase 2 for more detailed engagement with more specific investment options. The top 6 priorities were:

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.*

Our response

Overview of feedback

Throughout the engagement process we have received feedback at various stages from many groups of stakeholders. The tables at the end of this section summarise this feedback and shows what we have included in the final plan. The arrows indicate the general direction of feedback across the investment options we engaged on during Phase 2. More detail on what stakeholders have told us how we have responded to this, including linkages to our outputs is included in **Annex 1.1 – Stakeholder engagement**.

Feedback in some areas was very strong and we have responded positively to this in a number of ways.

Flood protection

Stakeholders were supportive of our plans for flood protection with on-line stakeholders demonstrating high importance and high willingness to pay. Customers in both SPD and SPM ranked flood protection as one of the most supported investment options.

In response, we have substantially accelerated our investment plans to reduce the risk of flood related disruption to approximately 168,000 customers and will have completed our flood protection programme in advance and added extra investment to protect against pluvial (localised rainwater) flooding.

Storm resilience

Stakeholders would like to see us invest more in storm resilience than we originally presented in our draft plan, in particular at our SPD stakeholder events with a further 45% wanting us to do more than our draft plan. Political stakeholders were very supportive of our approach to storm resilience and the benefit it has delivered in recent storm events. Employees, online stakeholders and customers rated storm resilience to be of high importance.

The storms of 2013/14 have drawn further attention to the risk that severe weather poses to the availability of the network. Our past investment in storm

resilience helped us to ensure that no customers affected by the Christmas Eve storms were without power on Christmas day. We strive to improve the availability of our network and will continue to invest in storm resilience measures on the network.

We decided to invest more in storm resilience than originally proposed in the draft plans, making an additional 10% of our network, in severe weather areas, storm resilient.

Responding to polarised feedback

Earlier network reinforcement

The feedback we received was not always aligned. For example, we were minded to go further than planned with respect to early network reinforcement based on strong stakeholder feedback at the Phase 2 stakeholder events, in particular in the SPD area. However, the customer willingness to pay research showed this to be the **least supported investment option by customers**.

We therefore decided to maintain our draft plan position on this – the draft plan already included a 20% improvement in this area.



Responding contrary to feedback

Educating young people

The feedback received did not always align with our core values and one area was in public safety and 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 school curriculum and that it was 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.

Responding to localised feedback

In the SPD region, all stakeholder groups demonstrated support for doing more with respect to improving service to poorly served customers. In SPM region there was support for maintaining the draft plan proposal.

To improve service for our poorly served customers, we are targeting underperforming overhead lines and cables. In response to the feedback in SPD area to do more, we are investing a further 14%.

Feedback incorporated into our plan

We have incorporated stakeholder feedback and customer willingness to pay results at relevant points throughout our business plan. This is reflected within our proposed outputs and our forecasted expenditure over the eight year period. **Where there is a clear engineering case and stakeholder support, we have ensured that we have made the appropriate changes to our level of investment.**

We have built stronger links with local authorities, special interest groups, community agencies and charities. We have carefully listened to our supply chain and contractors to better

shape our delivery plans. **Through our brand awareness campaign and engagement events we have raised awareness of SP Energy Networks, the unique services we deliver and the broader support we can offer to the communities we serve.**

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 our draft Business Plan achieves the right balance of benefits for all interested parties.**

'Excellent day, I enjoyed the discussion generated by the diverse topics covered and the input of the individuals on the table.'

Attendee at the Phase 1 stakeholder event in Glasgow from the Delivery stakeholder sub-group

Overview of feedback

The table below summaries feedback and shows what we have included in the final plan. The arrows indicate the general direction of feedback across the investment options during Phase 2.

Stakeholder feedback for our SPD licence area

Phase 1		Phase 2				Phase 3	Phase 4
Stakeholder priority areas	What we proposed in draft plan (Feb 2013)	Stakeholders workshops (voting)	Stakeholder on-line survey (simalto)	Employee on-line survey (simalto)	Customer face to face survey (simalto)	What was in our July 2013 plan?	What's in our March 2014 plan?
Storm resilience	Improving resilience to >10% customers	↑	↔	↔	↔	↑ Draft plan + additional 10% of km in severe weather areas will be made resilient	Same output, lower cost
Poorly served customers	Improving service to 40% of poorly served customers	↑	↑	↑	↑	↑ Draft plan + additional 14% investment targeted to poorly performing overhead lines and cables	Same output, lower cost
Energy advice for fuel poor	No expenditure in draft plan	↔	Proposed alternative output related to fuel poverty				No change
Network capacity information for new connections	No expenditure in draft plan *	↔	Exploring options for this to be funded by connections customers				No change
Future proofing the network	No expenditure in draft plan	↑	↑	↔	↔	↑ Investment in future proofing, in line with £10m option presented at stakeholder events	No change
Earlier approach to network investment	7 new grid or primary sites, 14 uprated sites	↑	↑	↓	↓	↔ Consistent with draft plan – triggering reinforcement 20% earlier	No change
Future innovation spend	No expenditure in draft plan **	↑	↑	↑	↑	↑ 80p per customer per annum, based directly upon stakeholder feedback	No change
Service position inspections	Inspection every 5 years starting 2015	↔	↓	↓	↔	↓ Inspections to start 5 yrs after smart-meter installation – later than draft plan assumption. Reduced investment in ED1.	No change
Flood protection	Protect 48,000 customers against 1 in 200 year event	↔	↑	↓	↑	↑ Accelerating our fluvial *** flood protection programme prior to ED1. Reduced ED1 investment.	Extra ED1 investment in protection against pluvial **** flooding

Stakeholder feedback for our SPM licence area

Phase 1		Phase 2				Phase 3	Phase 4
Stakeholder priority areas	What we proposed in draft plan (Feb 2013)	Stakeholders workshops (voting)	Stakeholder on-line survey (simalto)	Employee on-line survey (simalto)	Customer face to face survey (simalto)	What was in our July 2013 plan?	What's in our March 2014 plan?
Storm resilience	Improving resilience to >10% customers	↑	↑	↑	↔	↑ Draft plan + additional 10% of km in severe weather areas will be made resilient	Same output, lower cost
Poorly served customers	Improving service to 40% of poorly served customers	↔	↑	↑	↔	↔ Consistent with draft plan – investment targeted to poorly performing overhead lines and cables	Same output, lower cost
Energy advice for fuel poor	No expenditure in draft plan	↔	Proposed alternative output related to fuel poverty				No change
Network capacity information for new connections	No expenditure in draft plan *	↔	Exploring options for this to be funded by connections customers				No change
Future proofing the network	No expenditure in draft plan	↑	↑	↔	↔	↑ Investment in future proofing, in line with £10m option presented at stakeholder events	No change
Earlier approach to network investment	6 new grid circuits or transformers, 30 new or uprated sites	↔	↔	↓	↓	↔ Consistent with draft plan – triggering reinforcement 20% earlier	No change
Future innovation spend	No expenditure in draft plan **	↑	↑	↑	↑	↑ 80p per customer per annum, based directly upon stakeholder feedback	No change
Service position inspections	Inspection every 5 years starting 2015	↔	↓	↔	↔	↓ Inspections to start 5 yrs after smart-meter installation – later than draft plan assumption. Reduced investment in ED1.	No change
Flood protection	Protect 120,000 customers against 1 in 100 year event	↔	↑	↔	↑	↑ Accelerating our fluvial *** flood protection programme prior to ED1. Reduced ED1 investment.	Extra ED1 investment in protection against pluvial **** flooding

* As stakeholders demonstrated strong support for Future proofing at our workshops, we presented an option for £10m investment in our surveys.

** As stakeholders demonstrated strong support for Innovation at our workshops, we presented an option for investment of 50p per customer per annum in our surveys.

*** Fluvial = river based floods.

**** Pluvial = localised rain based floods