SP Energy Networks Transmission Business

Stakeholder Engagement – Part 1: An overview of evidence

1.0 Introduction

This document forms Part 1 of our submission covers how we have met the minimum requirements of the Stakeholder Engagement Incentive Scheme.

It is structured to provide an overview of how we have met each of the four minimum requirements outlined by Ofgem in it guidance notes for this submission:

- Section 2.0 - The company has a comprehensive and up to date stakeholder engagement strategy
- Section 3.0 - A broad and inclusive range of stakeholders have been engaged
- Section 4.0 - The company has used a variety of appropriate mechanisms to inform and engage their stakeholders
- Section 5.0 - The company can demonstrate it is acting on input / feedback from stakeholders

Summary of evidence

We have included a range of evidence to support our submission, including:

- Assurance readiness statement from Two Tomorrows
- SP Energy Networks stakeholder engagement strategy
- RIIO T1 stakeholder engagement document
- Transmission stakeholder database
- Example Stakeholder engagement plan for Innovation
- Results of stakeholder engagement survey
- Actions published on our website from our annual Transmission Connections Summit
- South West Scotland project web-site pages

2.0 Engagement Strategy

Minimum requirement 1: The network company has a comprehensive and up to date stakeholder engagement strategy, which sets out:

- how it keeps stakeholders informed about relevant issues, business activities, decision-making and other developments;

- how it enables timely input and feedback from stakeholders via appropriate mechanisms to inform decision making.

Overview

SP Energy Networks is both a transmission network owner and a distribution network owner. As a result, we have developed an overall stakeholder engagement strategy that sets out the principles for stakeholder engagement across both the transmission and distribution business (see below). In addition to this we also have a transmission specific stakeholder engagement strategy that was created at the time of RIIO T1 that refers specifically to the transmission business (see below).

SP Energy Networks stakeholder engagement strategy

In the past year we have prepared a new Stakeholder Engagement strategy for our Transmission and Distribution businesses (see supplementary material) which encompasses the overarching principles and aims of our engagement activity. The aim of our strategy is to improve our performance by listening to and acting on stakeholder feedback.

We aim to seek a wide range of stakeholders' views through a variety of communication channels. It is hoped that developing stronger and more constructive relationships with our stakeholders, at both national and local levels, will help to deliver our projects efficiently and increase stakeholder satisfaction.

Our strategy document sets out the principles which underpin our stakeholder engagement, who we engage with and how we prioritise and which engagement methods are available to use. It also sets out what we do with the feedback we receive and sets out how senior management play a key role in stakeholder engagement and our measures of success.

RIIO T1 stakeholder engagement document

As part of preparing our RIIO-T1 well justified business plan in 2011, we created a stakeholder engagement document specifically aligned to the Transmission business (see supplementary material).

This document formed the basis of our activity in 2012-13 and provides more specific detail on the relationships we seek to build with each Transmission stakeholder group. Implementation of the engagement strategy set out in this document has involved a number of key elements in 2012/13, as follows:

- Annual stakeholder event for a broad range of stakeholders with an interest in connecting to our transmission network (Part 2 Section 2.1)
- Tailored stakeholder engagement forums for all renewable developers affected by the South West Scotland Project (Part 2 Section 2.4)
- Regular connected customer engagement sessions (Part 2 section 4.1)
- Project specific engagement for those directly impacted by our projects (Part 2 section 5.3)
- Increased visibility of our activities through presentation at industry forums and conferences (Part 2 sections 2.2, 2.3, 3.4, 3.7, 5.4, 5.5)
- Annual stakeholder survey to measure performance improvement on an annual basis (quotes from survey throughout Part 2 and Part 1 section 4.0)
- Development of Key Performance Indicators (KPIs) for measuring performance against specific deliverables (Part 1 section 4.0)

Senior management

Our CEO Frank Mitchell, presented his vision for SP Energy Networks to the Gas and Electricity Markets Authority (GEMA) in November 2012. He told them his vision for the business was to become customer service focussed, trusted by the communities we serve and the stakeholders we depend upon. He promised we would listen, learn and act on the feedback we receive.

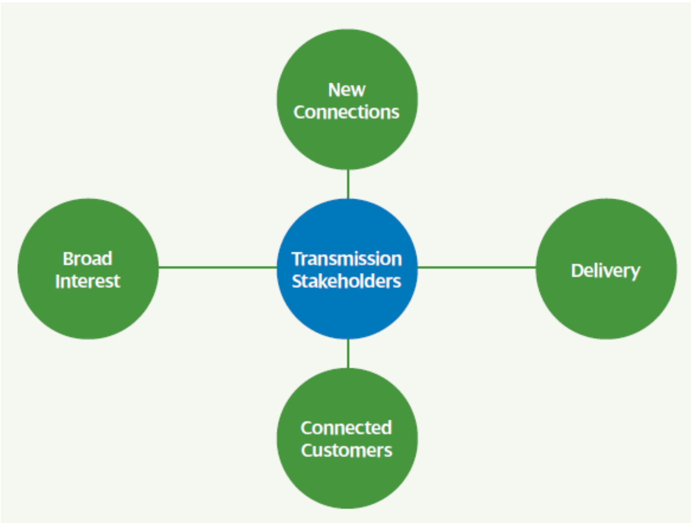
We recognise that we are on a journey towards becoming a stakeholder-focussed business. Whilst big improvements have been made, including a number of activities that have been achieved for the first time, and we have made a good start, we know there is more work to be done to integrate a strategy across the entire Transmission business.

3.0 Stakeholders we have engaged with

Minimum requirement 2: A broad and inclusive range of stakeholders have been engaged.

Stakeholder sub-groups

Our transmission business stakeholders are broken down into four groups:



These stakeholder groupings emerged from a review of our Transmission stakeholders in preparation for the submission of our RIIO T1 well justified business plan. In order to identify these stakeholder groups, we went through an internal process of identifying and analysing all the touch points we had with stakeholders in relation to our transmission network activity.

The key contact we have with stakeholders is in relation to connections to our transmission network and the four sub-groups represent the life-cycle of a connection e.g. the before, during and after stages of connection.

- New Connections – stakeholders seeking to connect to the network
- Delivery – stakeholders affected by the delivery of a connection to our network
- Connected customers – stakeholders affected by a connection once it is operational
- Broad interest – stakeholders who are affected by any or all of the before, during or after processes, or who have an overarching interest.

Examples of the stakeholders in each category are shown below:

- New connections – renewable developers, large industrial developers, renewable consultants
- Delivery –statutory planning consultees, supply chain
- Connected customers – renewable generators, large industrial producers, power stations
- Broad interest – research and development, academic institutions, government and regulation

These groups help us to target and tailor our engagement activity in Transmission and are fundamental in our desire to understand our stakeholders better.

Targeted engagement

Our tailored approach to stakeholder engagement has allowed us to target engagement activity in the last year to key stakeholder groups. For example:

- Suppliers were invited to market development events (Part 2, section 3.4)
- Developers were invited to events about connecting to the network (Part 2, sections 2.1 and 2.4)
- Connected customers were invited to tripartite meetings with National Grid and SP Energy Networks to resolve individual issues (Part 2, section 4.1)
- Industry partners were engaged through a series of conferences and forums at which we presented or attended (Part 2, sections 2.2, 3.2, 3.3, 3.7, 4.2, 5.4)
- General public engaged through public awareness campaign (Part 2, section 5.5)

A stakeholder group is targeted with engagement activity which is tailored directly to their need. We believe that tailoring our engagement in this way will help us to meet the needs of our stakeholders better and ultimately achieve the best possible results from our engagement... It also helps us to build relationships with our stakeholders, which we recognise is key for improved engagement in the future.

Stakeholder database

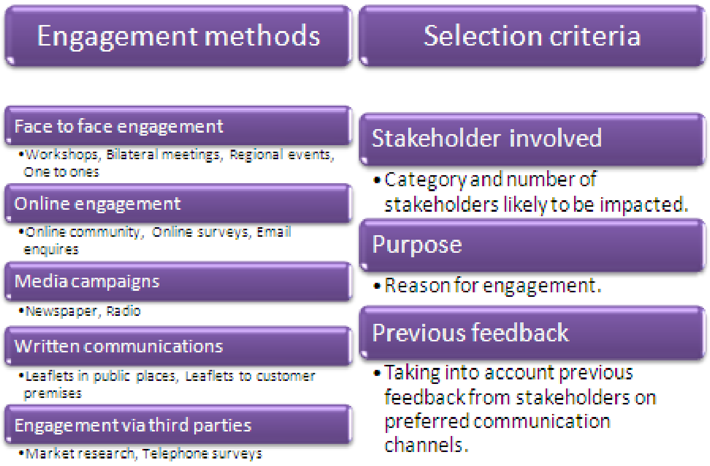
As we have stepped up our stakeholder engagement work, it has become increasingly important to gather information where possible to support our activity. Stakeholder contact details are tracked on our Transmission database (see supplementary material), which is categorised in line with our stakeholder categories outlined above. Stakeholder attendance at events and participation in the stakeholder survey is tracked using the database.

We add stakeholders to our database as a result of contact at the conferences we present/exhibit at and the meetings we attend. We also collate attendee lists and feedback forms (see supplementary material) from our stakeholder events. It is hoped that this work will help improve our stakeholder engagement activity and will allow us to ensure we are actively engaging with all relevant parties.

We recognise that our current stakeholder database has limitations, in particular it cannot be widely accessed across the organisation and it does not readily capture meeting minutes and actions by individual stakeholder and we are planning to make improvements in this area. SP Energy Networks is introducing a Customer Relationship Management (CRM) system for management of customer contact and we plan to use the same platform to better manage our stakeholder interaction. Phase 3 of the CRM system implementation will focus on stakeholder engagement with planned introduction in early 2014. The CRM system will provide a central point for management and collation of stakeholder feedback and help facilitate more targeted engagement.

4.0 Engagement mechanisms we have used

Minimum requirement 3: The company has used variety of appropriate mechanisms to inform and engage their stakeholders – these have been tailored to meet the needs of various stakeholder groups, and are fit for purpose in allowing a detailed analysis of a breadth of stakeholder perspectives



Engagement tool-kit

Our SP Energy Networks stakeholder engagement strategy sets out the various methods available (see above, left) for the business when engaging with stakeholders. When deciding which method is most suitable, we will take into account which stakeholder groups we would like to target and in what number. We would also look at the purpose of the engagement whether that is to inform, to gather views or to involve (see below) and any previous feedback we have had from these stakeholders about how they would prefer to engage with the company.

- To inform – sharing information on a specific project or issue
- To gather views – seeking feedback on a topic, proposal or plans
- To involve – working together to deliver outputs or make improvements

In the past we have tended to engage with our stakeholders on a project by project basis and on an individual basis. Engagement has, in the past, generally been focussed around what has been required by legislation. Over the past year we have engaged with our Transmission stakeholders in a range of ways, some of which are completely new to us as outlined below.

‘First of a kind’ dedicated stakeholder events

We held the following dedicated stakeholder events for the first time:

- Market development events for suppliers (Part 2, section 3.4)
- SP Energy Networks Transmission Connection Summit (Part 2, section 2.1)
- South West Scotland Project Updates (Part 2, section 2.4)

These events were an opportunity for us to give stakeholders an increased level of detail about some of the challenges faced by our Transmission business and for them to provide feedback on their experience of working with us and potential improvements which could be made in order to improve the working relationship moving forward.

The events were used in order to target specific groups of stakeholders who we knew would benefit from this level of detailed communication – mainly our suppliers and developers seeking to connect to the network.

Stakeholder satisfaction survey

It is important for us to measure the success of our engagement activity and at stakeholder events we do this using feedback surveys at the end of the event but this only covers stakeholders that were able to attend the events. We have also introduced an annual stakeholder survey (see supplementary material) so that we can measure our effectiveness across all stakeholders, on an annual basis. We used an external market research company to conduct the baseline survey for us. We had a 16% response rate to the survey which is quite high by industry average standards and delivered as satisfaction score of 7.3 out of 10.

Improved stakeholder engagement through project liaison officer

In addition to our events, we have appointed a dedicated project liaison officer for our major Transmission works, such as our South West Scotland connections project (Part 2, section 3.1). This helps us to build relationships with key stakeholder groups in areas which we are doing a large volume of work to invest in the network for the future.

We are also developing a community relations policy which will be implemented in 2013-14 and aims to set out our approach to community relations.

Increasing our visibility to stakeholders by having a presence at conferences

We have also increased our level of attendance at key conferences and industry events in order to increase visibility of our brand, network with stakeholders in the utilities sector and open up dialogue with a range of new potential industry partners. As examples, in the last year we have attended, supported and/or presented at:

- Scottish Renewables Conference (Part 2, section 3.3)
- Eurotech Conference (Part 2, section 3.7)
- Global Entrepreneurial Congress (Part 2, section 3.7)
- Liverpool Smart City event (Part 2, section 3.7)
- ENA Well Connected Scotland event (Part 2, section 5.4)

Cross-industry collaboration

We also recognise the importance and value of industry collaboration and in the past year we have increased our engagement activity in this area. We presented to the Renewable Industry Advisory Group (Part 2, section 2.2) and to a National Grid customer seminar (Part 2, section 2.3). In addition we liaised with Network Rail to help develop a new policy document (Part 2, section 4.2) and with Ofgem, NGET and SHETL on a new Networks Access Policy (Part 2, section 4.3). We have also worked with a range of organisations in order to combat the threat of metal theft (Part 2, section 5.2).

Visit our control room and see where we work

As we continue to build relationships with our key stakeholders who are connected to our transmission network, we have found face-to-face meetings to be an extremely effective way of dealing with specific individual issues. Within the last year we have strengthened relations with our connected customers by bringing selected groups into our control room and giving them a half day session to discuss network issues (Part 2, section 4.1).

Younger stakeholder classroom sessions

We have also engaged with young people to raise awareness of safety issues, through our PowerWise schools programme (Part 2, section 5.1 and 3.5, and to encourage young people to consider a career in the electricity industry, in the short and long term (Part 2, sections 5.6, 5.7 and 5.8).

General public awareness

Finally, for the first time, we have engaged with the general public through our awareness campaign (see supplementary material). This raised the profile of our brand, explained who we are and what we do and raised awareness of the investment we are making in the Transmission network (Part 2, section 5.5).

5.0 Acting on feedback

Minimum requirement 4: The company can demonstrate it is acting on input / feedback from stakeholders.

Overview

In order for our stakeholder engagement activity to deliver real and demonstrable benefits to the business and our stakeholders we recognise that it's important to record the feedback we receive, act on that feedback and communicate these actions back to stakeholders.

There is a commitment in the organisation to act on stakeholder feedback and this can be seen from the top of our organisation. Our Managing Director had personal involvement in acting on feedback from the recent Beauly-Denny project. The project was particularly difficult both for stakeholders affected by the project and for ourselves. He acted to improve the process for approval of large electricity network projects in the future by being instrumental in the establishment of the Energy Upgrades Forum collaborating with the Scottish Government and other transmission owners in Scotland (Part 2, section 3.2). This forum shares information in order to overcome obstacles facing all large electricity network projects.

Recording the feedback loop

We are still developing our processes and systems (Part 1, section 4) for recording the stakeholder engagement feedback process in a well documented manner across our business and expect this to improve over time. In 2012 we introduced the position of Stakeholder Engagement Manager to support our distribution business during the business planning process and during the second half of 2013 the Stakeholder Engagement Manager will begin to establish a more coordinated approach to stakeholder engagement across both transmission and distribution.

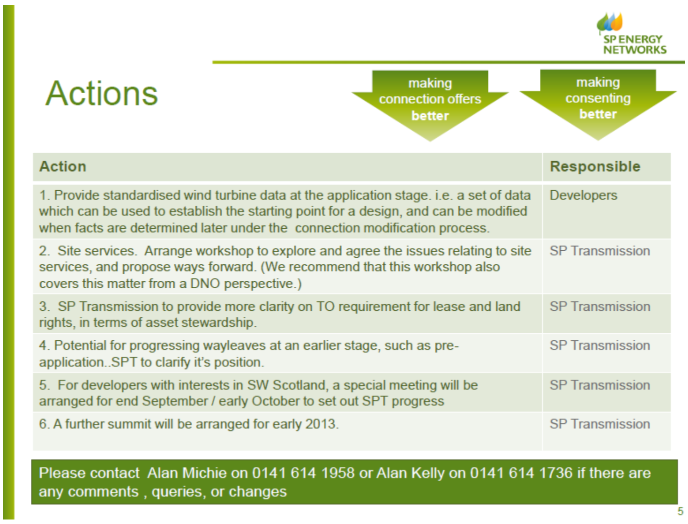
In some areas of our business we are engaging with stakeholders on an ongoing basis but the documentation of the feedback process could be improved.

In other areas of our business there is a well established process for recording stakeholder feedback and documenting the actions that we are taking in response to this, for example in environmental planning (Part 2, section 5.3). We have also adopted good practice in relation to our new connections activity in particular as part of our Connection Summit (Part 2, section 2.1) and our South West Scotland project forums (Part 2, section 2.4).

Good practice area 1 – Environmental Planning (Part 1, section 5.3) In the area of environmental planning we voluntarily conduct bilateral meetings with key stakeholders to develop routeing options. We record the minutes of these meetings and we regularly return to these stakeholders with updates on our progress, to seek their feedback and to explain our thinking. At the end of the process we are in a position to communicate to them the preferred routeing option that we then take through the formal environmental impact assessment process.

At this stage we host public exhibitions to share information and to seek feedback from those closely affected by the project. We prefer to use public exhibitions to public meetings to allow every voice to be heard. We use feedback cards to collect feedback at the exhibitions. We post information on our website for those who are unable to attend events and provide a facility to provide feedback. We collate the feedback received into a report and publish this alongside our response to the feedback received, making it clear where we are acting on feedback and where we aren't, completing the full feedback loop.

Good practice area 2 – Connection Summit (Part 1, section 2.1) The first annual Connection Summit took place in June 2012 and gathered together stakeholders who had an interest in connection to our transmission network. A number of issues were raised at the event and these were captured alongside a number of actions. We published the material presented at the events, the issues raised at the events and the actions resulting from that event on our website. This provided full transparency of the actions that we had agreed to deliver upon (see supplementary evidence).



Action	Responsible
1. Provide standardised wind turbine data at the application stage. i.e. a set of data which can be used to establish the starting point for a design, and can be modified when facts are determined later under the connection modification process.	Developers
2. Site services. Arrange workshop to explore and agree the issues relating to site services, and propose ways forward. (We recommend that this workshop also covers this matter from a DNO perspective.)	SP Transmission
3. SP Transmission to provide more clarity on TO requirement for lease and land rights, in terms of asset stewardship.	SP Transmission
4. Potential for progressing wayleaves at an earlier stage, such as pre-application..SPT to clarify it's position.	SP Transmission
5. For developers with interests in SW Scotland, a special meeting will be arranged for end September / early October to set out SPT progress	SP Transmission
6. A further summit will be arranged for early 2013.	SP Transmission

Please contact Alan Michie on 0141 614 1958 or Alan Kelly on 0141 614 1736 if there are any comments , queries, or changes

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Good practice area 3 – South West Scotland Forums (Part 1, section 2.4) In the area of new connections, we had a large number of renewable developers all reliant on the development of a new multi-stage connection. The new connecting parties had expressed concern as to the progress of the connection so we establish the South West Scotland Forum to address these concerns by working together. Views expressed at the forums were recorded and actions agreed. We identified ways for the developers to help us progress the connections and the developers identified ways for us to progress the connection. Actions were recorded and a second session was scheduled to update on progress. We kept the stakeholders informed of our progress, demonstrated how we had acted on feedback and ultimately achieved planning permission and avoided a potential 12 month delay to the project.

Measuring the effectiveness of our engagement

We use different methods to engage with stakeholders and depending on the type of engagement, we use different methods for measuring the effectiveness of that engagement.

At our conference style events we use feedback forms to monitor the quality of the engagement (see supplementary evidence).

We use an annual stakeholder survey to measure the effectiveness of our stakeholder engagement and monitor it on an ongoing basis (see supplementary evidence).

We are also establishing stakeholder engagement KPIs which we will start reporting on during 2013/14.

Examples of acting on feedback

In the following section we have identified specific examples of where we have acted on feedback:

Example: Increasing visibility - One of the key messages we have heard from stakeholders is the need for increased visibility from our business (through the annual stakeholder survey) and this is something we have attempted to rectify. We have utilised our website to publish information from our events (see supplementary evidence) and to keep stakeholder informed of progress on key projects (see supplementary evidence). We have agreed to hold further stakeholder events in the future to ensure we continue to build relationships and develop momentum as we build up our stakeholder engagement activity.

Finally, for the first time, we have engaged with the general public through our awareness campaign. This raised the profile of our brand, explained who we are and what we do and raised awareness of the investment we are making in the Transmission network (Part 2, section 5.5).

Example: Land rights and lease policy amended - At our annual Connections Summit, stakeholders told us that our land rights and lease policy was causing difficulty due to the long duration of lease we required. We engaged our legal team directly with stakeholders and were able to revise our policy and amend it in light of stakeholder feedback so that it was more accommodating of the practicalities facing connecting parties (Part 2, section 2.4).

Example: Grantors charter – In order to improve relations with landowners, we created, consulted on and implemented a new policy which set out how we operate on land owned by others (Part 2, section 3.6).

Example: Total ’wirescape’ considered - Our experience of the Beauly-Denny project showed us that we need to consider the total impact that SP Energy Networks has on an area not just from a Transmission perspective but also from a Distribution perspective and to consider the whole ‘wirescape’ of an area. By this we mean that although it may not be practicable to underground the Transmission lines, it may be possible to underground lower voltage lines in the area to reduce the overall ’wirescape’ for an affected area.

We are now going into the Dumfries project with ’wirescape’ as one of the options on the agenda from the outset so that this can be considered up front (Part 2, section 5.3).

Example: Collaborating to make a difference - Our experience of the Beauly-Denny project also showed us that there needs to be far more up front collaboration between the Transmission companies and the government if the planning timescales for a new transmission projects are to improve. The Beauly-Denny project started around 2002 and received planning permission in 2010 with visual impact mitigation approved in 2011.

After the Beauly-Denny planning experience, the CEO of SP Energy Networks approached the Energy Minister in Scotland to establish a new collaborative working group which became 'The Energy Upgrades Forum'. This forum includes membership of the Scottish government's planning team, both Transmission owners in Scotland, the Scottish Environment Protection Agency and Scottish Natural Heritage.

This collaborative approach to working has seen significant benefits for all parties and it is hoped it will put an end to unnecessary delays in getting project applications into the Scottish government for approval (Part 2, section 3.2).

6.0 Evidence

Part one of the submission is aimed at demonstrating the company has an engagement strategy in place that satisfies the minimum requirements as set out below. The company will have some flexibility as to how it will gather and present relevant evidence to meet these requirements. We note that in assessing the quality of stakeholder engagement activities and their effectiveness in bringing about positive change, we will need to be satisfied that the evidence presented is sound, robust and verifiable.

It was important to us to ensure that the information we provided in our submission was externally and independently evaluated / audited. However, it was even more important to us that we made sure our business was ready and prepared for the step-change in stakeholder engagement which is required as the stakeholder engagement incentive scheme goes live. We therefore asked Two Tomorrows to undertake an assurance readiness review of our submission which included looking at our approach to stakeholder engagement. This top-level review of our processes is designed to help us identify potential improvements in our transmission stakeholder engagement moving forward.

Two Tomorrows is a leading provider of stakeholder engagement and independent assurance of corporate responsibility and stakeholder led reports. They have deep experience in the UK utilities sector and over the past 10 years they have undertaken well over 100 assurance engagements globally

Two Tomorrows have provided us with an Assurance Readiness Review Statement which we have included in the supplementary evidence, which included their opinion:

Two Tomorrows
– a DNV company

"Based on the readiness review work we have undertaken, we have seen that the SPEN electricity transmission submission has **substantially met Ofgem's minimum requirements** for stakeholder engagement. We have also seen that SPEN is working towards fulfilling the activities that, in the Guidance, Ofgem has noted as demonstrating high quality stakeholder engagement."

Furthermore, we have provided supplementary material to further support our submission, including a copy of our Transmission stakeholder database, attendee lists and feedback from our events, as well as a copy of our stakeholder engagement strategy.