CONTENTS

INTRODUCTION .............................................................................................................................................................. 3
  What is a stakeholder?.................................................................................................................................................... 3
  What do we mean by Engagement?............................................................................................................................ 3
  SP Energy Networks and the Stakeholder.................................................................................................................. 3
  Why do SPEN engage?................................................................................................................................................ 4
  Who is responsible for engaging? We all are........................................................................................................... 5

AIM OF THE STAKEHOLDER ENGAGEMENT STRATEGY................................................................................................. 6
  The principles and foundation of our strategy.......................................................................................................... 6
  How do we embed these principles within our organisation?.................................................................................... 7

UNDERPINNING OUR STRATEGY – THE 7 PILLARS ...................................................................................................... 8
  Pillar 1: Governance.................................................................................................................................................. 9
  Pillar 2: Stakeholder Hub.......................................................................................................................................... 11
  Pillar 3: Engagement plan......................................................................................................................................... 12
  Pillar 4: Systematic approach.................................................................................................................................. 14
  Pillar 5: Feedback loop.............................................................................................................................................. 15
  Pillar 6: Resources.................................................................................................................................................... 16
  Pillar 7: Assurance, Measurement, Evaluation and Accreditation.............................................................................. 17

APPENDIX 1: INTERNAL STAKEHOLDER ACTION GROUP ............................................................................................. 1
APPENDIX 2: INTERNAL STAKEHOLDER ACTION GROUP MEMBERS ........................................................................... 2
APPENDIX 3: 3KQ SCOPING APPROACH FOR PANEL FORMATION ............................................................................ 3
APPENDIX 4: EXAMPLE MONTHLY REPORT FOR EXECUTIVE TEAM .......................................................................... 4
APPENDIX 5: INTEREST/ INFLUENCE MATRIX .............................................................................................................. 5
APPENDIX 6: EXTRACT FROM EXPLAIN REPORT ON STAKEHOLDER MAPPING AND PRIORITISATION ............... 6
APPENDIX 8: EXAMPLE ENGAGEMENT PLAN ............................................................................................................... 8
APPENDIX 9: EXTRACT FROM ANNUAL RESEARCH PROGRAMME PLAN WITH EXPLAIN MARKET RESEARCH ....... 9
APPENDIX 10: EXTRACT FROM ENGAGEMENT PLANNING TEMPLATE....................................................................... 10
APPENDIX 11: THE SPECTRUM OF ENGAGEMENT .................................................................................................... 11
APPENDIX 12: STAKEHOLDER ENGAGEMENT TEAM STRUCTURE ........................................................................... 11
INTRODUCTION

What is a stakeholder?
A stakeholder is any individual, groups of individuals or organisations that affect or could be affected by SP Energy Networks activities and/or performance.

What do we mean by Engagement?
Engagement isn’t just speaking to people... it is how we listen to what is being said to us and what we do with that information. How do we allow our stakeholders to influence how we conduct our business and change our policies and procedures? We listen to what they want and need to change our operations to fit the needs of our stakeholders and provide a better service.

SP Energy Networks and the Stakeholder
SP Energy Networks operates within a regulated and monopolised environment which means that, in the main (and excluding customer connections where competition exists) the customer doesn’t drive changes in service or products utilising their choice of supplier as they would in a typical sales driven business. In a sales driven business behaviour of the company would change depending on sales performance and customer behaviour. Within the monopoly environment our customers and stakeholders do not have a choice in operator of their network nor are they able to influence the market by exercising choice of product.

Stakeholder engagement is the process by which we involve stakeholders, and engage with them to identify and understand their issues and needs, thereby allowing them to influence our business decision making and business change to provide the highest possible standard of service, and one that fits their requirements. If we are engaging with our stakeholders and understanding the environment around us we will be able to identify, early on, synergies for working together.

Stakeholder engagement in SP Energy Networks looks at how, in the absence of choice, we create an environment and framework within our business which allows our stakeholders to be involved and to influence SP Energy Networks (SPEN) to continue to evolve and improve.

This strategy aims to set out how we will achieve this.
Why do SPEN engage?
The benefits to the stakeholder are clear. By being involved, they are able to bring about change and improvement to SPEN to benefit their needs as a stakeholder using our service.

Engagement with individuals, groups and organisations that are affected by our activities and responding to their concerns makes us perform better. Increases our knowledge and contributes to how we operate in the future. It brings benefits to the organisation including improvements in reputation, resilience during difficult situations, addressing risks and in shaping the long-term business.

But why are we, SPEN, engaging? Our whole business structure has been created to further embed engagement across our organisation. Through engagement with our stakeholders we have seen many positive changes in our business. Our stakeholders were heavily involved in the creation of our RIIO-ED1 and T1 business plans. Our stakeholders helped us form our priorities for the next 8 years of our price control period. They told us what was important to them, which allowed us to make sure that the investments we make in our network and efficiencies we challenge are in line with what our customers and stakeholders need.

By collaborating with specialist stakeholders from outside our business and market, we have engaged with them to form working groups; pooling their expertise to solve problems that we wouldn’t be able to on our own as a network business. An example of this would be our Social Obligations Working Group which has helped us get closer to our harder to reach customers and allow us to evolve our service to make sure that our most vulnerable customers, dependent on electricity, are given a priority service during a supply interruption.

Embedded engagement across our organisation at all levels means that we will understand the changing and evolving needs of those in receipt of our service. This understanding is happening because we listen to what we are being told and we use that feedback to change and continue to build our business to reflect what our stakeholders need.

Key benefits of engagement:

- Higher quality and informed decision making; informs our business plan at the highest level
- Addressing areas of risk
- Allows for pooling of expertise to solve problems that cannot be reached by SPEN alone
- Using engagement to allow SPEN to gain understanding of complex operating environments outside our area of expertise
- Building of trust and transparency to enhance and maintain reputation
- Improved resilience in difficult situations
- Increased capacity to innovate
- Early identification of external changes
- Using learning from stakeholders to improve process and service;
- Able to guide key stakeholders to understand business decisions and challenges of our environment;
Who is responsible for engaging? We all are

The stakeholder engagement strategy applies across the whole business including both transmission and distribution activity. The central stakeholder team has overall responsibility for the stakeholder engagement process and strategy but the application and delivery of the strategy sits with the individual business units.

Each business unit will have ownership and responsibility for engagement with their own stakeholders under the central approach for stakeholder engagement.

Business unit activity is shared centrally to ensure that a similar approach and language for stakeholder engagement is being adopted across the business, that best practice can be shared and cross-business unit feedback can be addressed.

It is important that we can demonstrate tangible benefits of stakeholder engagement for both stakeholders and ourselves. It is the responsibility of us all to seek out stakeholder input, listen to and act on stakeholder feedback.
AIM OF THE STAKEHOLDER ENGAGEMENT STRATEGY

The aim of our stakeholder engagement strategy is to provide a framework to operate within, to improve the performance of the organisation by seeking out stakeholder input, listening to and acting on stakeholder feedback.

Stakeholder engagement is used to support both operational and strategic improvements in performance. Ultimately this helps us to deliver a better service for the end customers on our electricity network, now and into the future.

It is critical that our stakeholder engagement activity is embedded into our organisation and is relevant, addressing strategic issues and is focussed in areas where stakeholders can really influence what we do, only then will we establish the level of engagement that will deliver real benefits for both the business and stakeholders.

The principles and foundation of our strategy

SPEN and the wider Iberdrola group have adopted the AA1000 Stakeholder Standard. The AA1000 standard has been chosen in order to systematically and rigorously manage engagement with our stakeholders and is subject to independent external assurance annually.

The stakeholder standard AA1000 recommends that 3 key principles are applied, and as such this is the foundation to our strategy. The key principles are:

<table>
<thead>
<tr>
<th>Inclusivity</th>
<th>Commitment to be accountable and to enable participation, engaging at all levels to achieve better outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>We accept our accountability to those on whom we have an impact and who have an impact on, inclusivity is the participation of all stakeholders in developing and achieving an accountable and strategic response.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Determines the most relevant and significant issues for an organisation and its stakeholders and then plans engagement around it</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Recognising that materiality may be stakeholder specific ie. Some issues will be material to some but not others. A material issue is an issue that will influence the decisions, actions and performance of SPEN or our stakeholders.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsiveness</th>
<th>The decisions, actions, performance and communications related to those material issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Responsiveness is our response to stakeholder issues that affect our performance and is realised through decisions, actions and performance, as well as communication with stakeholders.</td>
</tr>
</tbody>
</table>
How do we embed these principles within our organisation?

To incorporate these principles and weave them into our strategy we will address each principle through carrying out the following actions, and underpinned by our key pillars of our strategy:

**Inclusivity**

- Central Stakeholder Database
- Map stakeholders and carry out gap analysis to establish missing groups
- Seek out harder to reach customers by using existing network to build and grow stakeholder base
- Evolve and grow customer awareness to educate stakeholders to contact us and be involved
- Create toolkit to allow self-service of stakeholders and widening of stakeholder reach

**Materiality**

- Aligning stakeholder engagement activities with our strategic business priorities
- Ensure stakeholder priorities remain valid

**Responsiveness**

- Feedback and action tracking
- Creation of an evaluation and measurement toolkit
- Develop an Internal and external reporting framework which demonstrates performance against key strategic issues
UNDERPINNING OUR STRATEGY – THE 7 PILLARS

The strategy is built on seven key pillars as summarised in the diagram below; each pillar is taken in turn, explaining its purpose and the benefit it delivers.

**Governance**
- Internal Stakeholder Action Group
- External Strategic Stakeholder Panels
- Executive Team Reporting and Review

**Stakeholder Hub**
- Central register of stakeholder contact information
- Categorisation of stakeholders
- Prioritisation of stakeholders
- Feedback and action log

**Engagement Planning**
- Documented annual engagement plans and ownership within business
- Aligned stakeholder engagement activities to strategic business priorities
- Stakeholder groups analysed for interest and influence for prioritisation
- Embed process and self service to allow selection and implementation of appropriate engagement methods

**Systematic Approach**
- Toolkit
- Advice and Support from Central Team
- Training and Self Service

**Feedback Loop**
- Transparent Engagement Activity
- Feedback to Stakeholders on Policy and/or process changes
- Recurring Engagement

**Resources**
- Central Stakeholder Team
- Licence Specific Stakeholder Teams
- Business Leads delivering engagement
- Embedded Engagement Model

**Assurance, Measurement, Evaluation and Accreditation**
- Independent external assurance to AA1000 standard
- Measurement of outcomes
- Evaluation Framework
- Introduction of BS18477 Standard for Inclusive Service Provision; Requirements for identifying and responding to customer vulnerability
The governance structure for stakeholder engagement, in a similar manner to the existing customer service governance structure, provides a systematic approach to recording and collating stakeholder feedback internally. This is supplemented by an external panel(s) to provide external view on topics and themes.

Within the governance structure, and at the heart of our engagement is the Internal Stakeholder Action Group (ISAG). From 2015, the group structure reflects our new business model as we implement and transition to the new RIIO business structure which strengthens and gives focus on Stakeholder Engagement.

From early 2015 the core ISAG group meets weekly and includes dedicated Stakeholder Engagement & Customer Relations Managers from each licence; SP Transmission, SP Distribution and SP Manweb. Every 4-6 weeks the meeting is extended to include other individuals across the organisation who have core responsibilities for Stakeholder Engagement.

The Internal Stakeholder Action Group, at both levels, is a working group which plays a central role in the organisation’s stakeholder engagement strategy, leading engagement in line with the business’ engagement priorities, sharing feedback, actions and best practice from across the business.

This group is a working group with responsibility for driving a systematic approach to stakeholder engagement, whilst each member owns and reports on action plans focussed on addressing key strategic priorities.

The extended ISAG has responsibility for managing and reporting on engagement plans from the wider business which support and impact the licence level engagement. Engagement will be tracked against annual plans to identify progress, identify and share emerging themes and gaps in stakeholder reach thus requiring action. Furthermore, the group has responsibility for managing progress on appropriately tracking stakeholder contact data, tracking feedback from stakeholders and tracking actions taken as a result of feedback.

All ISAG members have responsibility for managing and reporting on action plans to address the key strategic engagement priorities identified. The group has responsibility for knowing what engagement activity is taking place within their respective business units and for reporting back to the group on this. The terms of reference for the Internal Stakeholder Action Group are outlined in Appendix 1 and the members of the Group are outlined at Appendix 2.
External Stakeholder Panel

An External Advisory Panel(s) was established from early 2014 with input from stakeholder representatives of the strategic priority areas. An independent stakeholder practitioner designed a scoping exercise with stakeholders to determine the best format for the strategic panel (see Appendix 3 for an extract of the risks and uncertainties that the scoping work addressed). The independent stakeholder practitioner independently convenes and facilitates the panel(s) and supports the working groups that feed into the panel where required. We will undertake regular evaluation with all parties involved to ensure that the panel structure and content remains relevant and continues to meet the objectives and needs of the company and the external panel members.

Executive Team, Reporting and Review

Reporting of stakeholder feedback will be collated through the monthly internal Stakeholder Action Group. A monthly report on stakeholder engagement activity, feedback themes and actions will be produced for the Executive Team in the ‘You said, we did’ format (See Appendix 4 for an example report). Each quarter the Executive Team will discuss the themes coming through from stakeholder engagement as evidenced by the monthly reports, propose changes to business strategy as a result and address barriers to outstanding actions.
Stakeholders are categorised into sub-groups and prioritised on the basis of an influence / interest matrix (see Appendix 5 for the matrix).

The mapping exercise was conducted with each business area and an independent third party was engaged to support this stakeholder mapping, conducting interviews with contacts across each business unit and established our priority map (see Appendix 6 for an extract of the priority map) and focus areas for managing our stakeholder groups.

Allocation of resources and budget for stakeholder engagement activity will be targeted at material issues with high influence/high interest stakeholders.

Engagement with stakeholders will be recorded in a systematic manner using a centralised log to record feedback collected and actions in response to feedback from centralised engagement activities (see Appendix 7 for an extract of the log).
Aligning stakeholder engagement activities with our strategic business priorities ensure that we maximise the benefits of stakeholder engagement.

The strategic business priorities were originally developed as part of our business plan engagement activity for our price control activities and supplemented by business priorities, such as safety.

Those priorities have remained consistent into 2014/15, and verified through survey of our stakeholders. Surveys will take place from November to February to allow us to form engagement for the forthcoming year.

The engagement priorities may change over time. To test that our activity and focus areas remain current and appropriate we will engage an independent party each year to survey our stakeholder groups. Where additional areas emerge we will look to reflect this within our engagement planning.

We will review our strategic priorities with the Internal Stakeholder Action Group (ISAG) members to ensure that we maintain focus on key areas and pick up additional emerging themes from the business. In addition make sure that the themes coming through from stakeholders are assessed for relevance and taken into the appropriate engagement plan and assigned an owner.

To evolve our strategy, research was carried out by an independent party, across the business to understand the interest and influence of stakeholder groups, current activities and gaps that may exist across all areas of the organisation.

It was established that there are 14 key focus areas across the organisation which should be considered to align business priorities and give focus to stakeholder groups. The research confirmed that the areas we should focus engagement on are:

- Social Issues and Vulnerable Customers
- Distribution connected customers
- Transmission connected customers
- Distribution connection customers (getting connected)
- Transmission connection customers (getting connected)
- Local and Central Government
- Community Engagement (incl. Groups impacted by faults, connections works, capital works)
- Safety
- Industry players and regulators
- Customer service and Emergency preparedness
- Future networks and Innovation
- Employment and future preparedness
- Delivery partners and supply chain
- Sustainability and Environment

An engagement plan, strategy analysis and mapping exercise will be carried out for each area deemed to be a focus area. An annual plan will be created and an owner assigned within the ISAG.
Each engagement plan will contribute to the **centralised annual engagement plan** outlining the high-level annual stakeholder engagement activities for the year (see Appendix 8 for an extract of the plan). It focuses on the engagement activity in response to the key strategic engagement themes for the year. The engagement plan is owned by the Central Stakeholder Manager and regularly updated during the year with input from the Internal Stakeholder Action Group.

An annual plan of customer and stakeholder research activity developed in collaboration with an independent market research company will support the activities in engagement plan, helping to shape the direction of future engagement (see Appendix 9 for extract from the annual research plan).

The business leads in the Internal Stakeholder Action Group will also have their own more detailed action plans for engagement activity to supplement the central engagement plan. Engagement plans consider the most appropriate engagement activity for the stakeholder group and topic.

### TRANSMISSION BUSINESS STRATEGIC ENGAGEMENT PRIORITIES:

- **Service (Connected Customers)**
  - Improved processes for maintaining security of supply

- **Connecting to the network**
  - Improved process for new connections
  - More accessible process for new connection

- **Environmental Planning**
  - Mitigating consenting and planning challenges

- **Sustainability**
  - Minimising environmental impact

- **Supply chain**
  - Improved relationships with supply chain

**New:**
- Community Engagement

### DISTRIBUTION BUSINESS STRATEGIC ENGAGEMENT PRIORITIES:

- **Safety**
  - Public safety education
  - Agricultural safety

- **Connecting to the network**
  - Facilitating renewable connections
  - Connections process

- **Customer and Emergency Preparedness**
  - Communication during a power cut
  - Reliability and availability of supply
  - Severe weather resilience
  - Poorly served customers
  - Collaboration on network plans
  - General awareness

- **Recruitment**
  - Workforce renewal

- **Environment, Future Networks and Sustainability**
  - Future proofing for low carbon
  - Innovation
  - Carbon footprint

- **Social Issues and Obligations**
  - Fuel poor
  - Vulnerable

- **Supply chain**
  - Improving contractor relationship

**New:**
- Community Engagement/Local engagement improvement
Systematic Approach

A systematic approach to stakeholder engagement requires a cross-business approach and this will be facilitated through the Internal Stakeholder Action Group and through the use of tools to approach stakeholder engagement in a systematic manner.

A stakeholder engagement tool kit has been developed that standardises the approach to developing stakeholder engagement plans (see Appendix 10 for an extract from the engagement planning template).

The tool kit includes templates for engagement planning, scribe notes, meeting notes and reporting on engagement activity. The tool kit is supplemented by stakeholder engagement case studies that give real examples of engagement activity undertaken in the business. The benefit of these is that engagement can be approached in the same manner cross-business. All elements of the tool kit are published on the internal website alongside other supporting documents including the strategy and are accessible to everyone in the business.

The tool kit in itself does not ensure a systematic approach. It is the role of the central stakeholder engagement team to provide support and advice to those planning engagement activities in order to develop a systematic approach and to ensure all aspects of the engagement process are considered including:

- Inclusivity of stakeholders
- Selecting appropriate mechanisms
- Recording feedback
- Measurement
- Actions
- Feeding back to stakeholders

Members of the Internal Stakeholder Action Group and their nominees who are directly involved in planning or executing stakeholder engagement activities have been given training on best practice approach to stakeholder engagement, as part of a capacity building programme within the organisation. A third party was used to deliver the training and brought knowledge of other industries to give a broader perspective on engagement. We have engaged a specialist independent stakeholder specialist to provide updates and training within the ISAG meetings and it is envisaged that we will run tailored courses annually to assist in evolving our strategy and further embedding structured and systematic engagement throughout our business.

The ‘spectrum of engagement’ was one of the key elements of the training that helped participants to really understand where on the spectrum they were engaging (see Appendix 11).

Stakeholder engagement, our strategy and approach will be built into our company induction programme, which will mean that all new employees to our business will understand our commitment to our stakeholders and how they contribute at whatever level they join our company.
A key element of good practice stakeholder engagement is transparency and inclusivity i.e. seek out those whose input would be valuable and be transparent about what has been said, what has been heard and what action has been taken as a result. Making stakeholder engagement information available widely using the web, sharing openly with stakeholders and making them aware of information, achieves this.

After having spent time designing engagement with stakeholders and them having spent time engaging with us, it is critical that we return to them and share with them what we’ve done in relation to that feedback or what we have chosen not to do and why.

The best way to achieve this is through recurring engagement where regular updating can be provided and progress can be seen.
The central stakeholder team supports the business in delivering stakeholder engagement at a business unit and licence level to collate and report on stakeholder engagement activity and actions. It is the team’s responsibility to deliver promote stakeholder engagement and to define the strategy for engagement.

The team is also responsible for the delivery of the annual regulatory submissions, the processes for stakeholder engagement and adherence to the processes. The stakeholder team are not business knowledge experts but will support and facilitate engagement and reporting of engagement with the business experts delivering the engagement activity.

The stakeholder engagement function reports directly to the Customer Services Director giving director level access to stakeholder feedback that can influence the business strategy. Aligning our stakeholder engagement function with our Customer Services directorate ensures a joined up approach for all stakeholders and customers, and brings the stakeholder engagement team closer to the ‘front end’ of our business. This close link with Customer Services allows the stakeholder team to see emerging themes at the earliest opportunity and to feed information into the Internal Stakeholder Action Group.

As part of our business reorganisation in 2015 we have assigned specific stakeholder and customer service roles who are business experts within each licence area to lead the business area to deliver consistently high levels of customer service and stakeholder engagement internally and externally across the licence area. These individuals will lead and develop licence and district specific stakeholder engagement in accordance with annual plans and customer satisfaction strategies including informing, consulting and involving stakeholders where relevant and evaluating the effectiveness of these strategies. Each stakeholder manager for each licence will be a member of the ‘core’ ISAG team.

The Internal Stakeholder Action Group is a key part of the structure of the Stakeholder Engagement Team and ensures that engagement is embedded within the business and not something that is seen as the responsibility of the Stakeholder Engagement Team (see Appendix 12 for the structure).
Stakeholder Engagement Strategy

Each year we will 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 standard.

We will implement an evaluation framework which will allow stakeholder engagement measurement to be carried out in a consistent manner across the business.

Through feedback from our external panel and taking advice from those within other markets who utilise Social Return on Investment we will be implementing a bespoke Social Return on Investment model within SPEN. Working with our panel members we will create a model based on principles suited to a network operator. Implementing this model will allow measurement of the social value that our work creates. Social Return on Investment will help us account for the wider impact of our work and allow us to make more informed decisions. A consistent approach to understanding and accounting for social value means that we can identify where and how we can create value in a credible way.

We will introduce and implement the BSI 18477 standard for inclusive service provision with a view to becoming accredited. This standard is based specifically around identifying and responding to customer vulnerability. The standard sets guidelines to help organizations provide a fair, flexible service that can be used by all consumers equally, regardless of their health, age or personal circumstances.

We believe that this standard will demonstrate our serious commitment to providing services that are fair and accessible to all.

Valuable feedback on our approach to stakeholder feedback has informed this strategy.

Updating the strategy

The stakeholder engagement strategy will be reviewed each year and will be signed off by the Executive Management Team of SPEN.