

Annex

**NGET A6.01 Stakeholder Engagement
Strategy**

December 2019

As a part of the NGET Business Plan Submission

nationalgrid

RIIO-T2

nationalgrid
Electricity Transmission

NGET_A6.01_Stakeholder Engagement Strategy

Stakeholder Engagement'
(December 2019)

Submission annex

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1. Our stakeholder ambition

Our stakeholders have told us that the opportunity to input into and help shape our business plans is something they would like, and expect, on an ongoing basis. They expect this to be a genuine two-way engagement process, and they expect transparency around how we develop our plans and report progress against them.

We understand the benefits to stakeholders and to us of working collaboratively. We also understand that our activities affect many different people, whether directly or indirectly, and it is important we understand their needs.

Building on learning and best practice from RIIO-1, from what we've from others, and from our experience in building our RIIO-2 plans, our stakeholder ambition during RIIO-2 is therefore four-fold:

- we want to **learn from our stakeholders**, ensuring we involve them through every aspect of our business, from shaping our strategic business priorities to the day-to-day running of the business, giving stakeholders the opportunity to have their views considered in our decision-making processes
- we want to **partner with stakeholders** during RIIO-2, to solve problems and reach solutions that cannot be reached by any single organisation, such as the transition to net zero
- we want to ensure we are working to **build advocacy** on topics where stakeholders have told us we need to use our position in the energy industry to advise and influence on their behalf, in the wider interests of consumers
- we want to **embed** this approach across our organisation and **make ongoing improvements** to the way we engage

Ofgem has also set out its expectations for networks' enduring approach to stakeholder engagement as we move into RIIO-2 and beyond. These expectations are based around nine criteria, which are listed below along with details of where they are covered in this strategy.

Ofgem criteria	Section(s) in this document
The approach should:	
• be strategic and proportionate	3, 4
• be inclusive of all stakeholders	1, 2, 3, 4
• be responsive to stakeholder needs	1, 2, 3, 4
• be ambitious	1, 5
• be transparent	3, 4, 5
• deliver outcomes that network users and society value at a price they are willing to pay	5
• demonstrate senior-level buy-in and that engagement runs through all levels of the organisation	3, 5, Appendix
• incorporate and build on the best practice methods learned in RIIO-1 and consider best practice methods employed in other industries	1, 3, 4, 5
• include RIIO-1 Engagement initiatives as business as usual (BAU) activities	1, 3, 4, 5

We are fully committed to our approach of creating stakeholder-led plans and more broadly improving our approach to stakeholder engagement. Through developing our RIIO-2 business plan, we have already seen that we are able to create a better product as a result.

This will build on the good work delivered in RIIO-1, and particularly on the shift delivered through the involvement of a much broader spectrum of stakeholders in developing the RIIO-2 plan, including a much closer involvement in understanding the overarching consumer landscape and a greater level of partnering than ever before. Importantly, **this will become our business as usual** and help us deliver our RIIO-2 commitments.

2. Engaging our stakeholders is key to meeting our ambition

We define our stakeholders as anyone who has an interest in or is impacted by what we do. **We cannot meet our ambition without working with our stakeholders.**

In order to create stakeholder-led plans, we first need to establish what they expect from us. This is even more important during the transition to a net zero economy, where our stakeholder population is expanding and their requirements and expectations are constantly changing.

We need to reflect their changing needs in our decision-making processes, including how we set and review our medium and longer-term strategic business priorities, and how we change what we do on a more short-term, tactical basis. By working closely with our direct customers, our wider stakeholder population and the end consumers (both domestic and business) of the energy we transmit, we can meet their needs more efficiently.

Having a robust, systematic and coordinated strategic approach to engagement is therefore vital.

3. Our approach to stakeholder engagement

Being outcomes focused

We determine what we engage on, who we engage with and how we engage by following an outcomes-focused approach, looking at the desired objectives of our engagement and tailoring our approach to best deliver those objectives. We engage at a strategic level to help us establish, review and update our priorities, and on a more tactical level to help us make stakeholder-led decisions.

Our engagement approach is based on the AA1000 Stakeholder Engagement Standard, an internationally-recognised framework for stakeholder engagement excellence. This framework is based on the principles of:

Inclusivity

Being accountable to our stakeholders and including them in our decision-making processes:

- ensuring we engage with a representative sample of the appropriate stakeholder segments for each topic of engagement
- including the views of consumers, both domestic and business, when gathering insight, and ensuring that relevant subgroups have appropriate representation (for example, vulnerable consumers, stakeholders in different geographical areas or business consumers with different energy requirements)
- engaging with the right stakeholders through the right channels through a coordinated and tailored engagement programme, particularly for harder-to-reach stakeholder groups

Materiality

Engaging on topics and issues that are most important and relevant to our stakeholders and to us:

- engaging our stakeholders on the most important topics to influence our decisions, actions and performance
- engaging only on topics where stakeholders can genuinely make a difference to our plans, and being clear why stakeholders cannot influence our plans for certain topics
- being proportionate in our engagement activities, both in terms of our stakeholders' time and commitment, and when it comes to our own costs and resources
- ensuring identification and prioritisation of topics and issues is evidence based, and uses a full range of available sources

Responsiveness

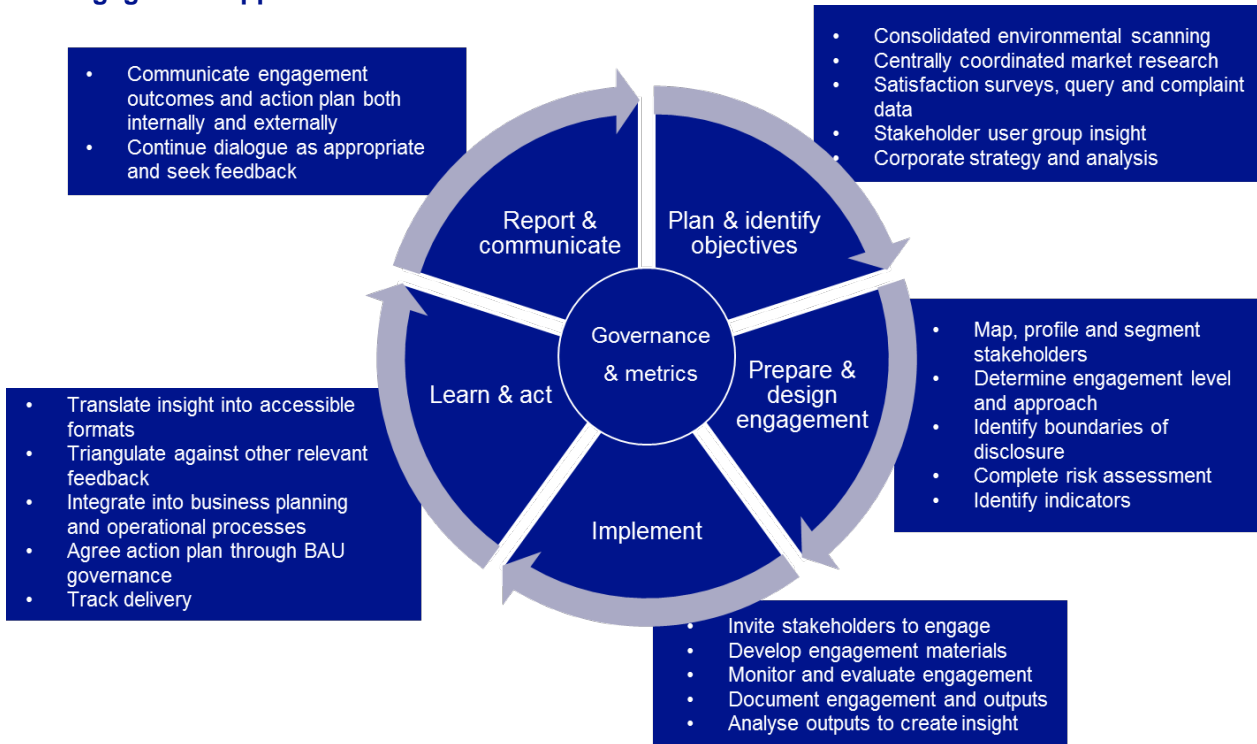
Acting as a result of what stakeholders have told us:

- using stakeholder input to develop our plans, then sharing these plans with stakeholders to check we've understood their requirements – being transparent throughout this process
- taking responsibility for what we say we'll deliver and doing even better wherever we can
- acting on feedback to ensure we continuously improve to deliver more effectively and efficiently for our stakeholders
- ensuring we are focused on delivering stakeholder and consumer value

Being systematic

Since 2016, we have been following the AA1000 framework to standardise the way we engage across our business. We are guided by its principles and use the detail within it to ensure we are designing, delivering and acting on the results of engagement in a systematic, robust and coordinated way.

Our engagement approach



This approach ensures that we:

- **Plan for engagement:** profiling and mapping stakeholders so that our engagement is both inclusive and relevant. Identifying the right channels to use so that our engagement is tailored for different stakeholder segments and purposes.
- **Prepare and design engagement:** making sure the correct resources are in place to engage with our stakeholders on the right topics at the right time, and that we are clear with stakeholders about the overall process and their role within it
- **Implement the engagement:** communicating with stakeholders so they're invited to participate through the appropriate channels with enough notice, and they're provided with upfront materials as required. Running the engagement in an open, fair and non-biased way, and making sure we accurately capture what stakeholders have told us. Thinking about the format and location of engagement so no-one feels excluded.

- **Learn and act:** gathering stakeholder feedback, developing insight, and integrating this into business planning. Ensuring it can be tracked.
- **Report and communicate:** communicating the outputs of the engagement to stakeholders so we can check we have captured things correctly and so they have the chance to add further thoughts if necessary. Showing what we've changed, explaining how stakeholders' time and effort has been reflected in changes to our business. Closing the loop and continuing our commitment to transparency.

Robust **governance and measurement** are central to effective delivery and ensure that we make the right decisions at the right level within our organisation. We will measure progress against relevant and challenging metrics, track these at the appropriate board or committee, and share updates with our stakeholders.

Being stakeholder focused at all levels of the organisation

Our engagement provides insight to inform how we need to run our business at both a strategic and tactical level.

Embedding stakeholder views at a **strategic** level is of critical importance to deliver what our stakeholders need from us, particularly in the longer term. This in turn should help to create a successful future for our business. This starts with our Board commitment to stakeholder engagement – each NGET Board member has personally committed to this approach by signing a stakeholder engagement charter (see Appendix).

We are committed to using stakeholder engagement as a key input into how we set our strategic business priorities, at a Group Executive level, UK Executive level and within Electricity Transmission. Each year, our UK Executive will review and update our strategic priorities based on what we hear from our stakeholders. This will be approved by the NGET Board and endorsed by our Group Executive. Members of our Group, UK and NGET Executives will also engage directly with customers, consumers, other stakeholders and the independent challenge groups.

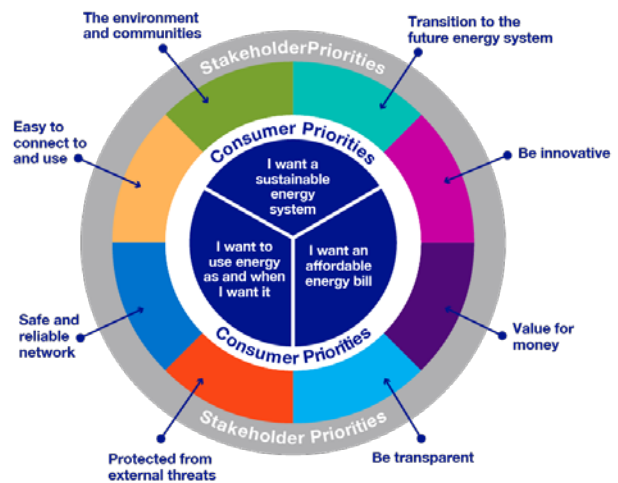
At a more **tactical** level, we will undertake an annual review of the stakeholder and industry landscape to ensure our internal business planning process reflects the changing needs of our stakeholders. This involves:

- updating our stakeholder universe to make sure we're talking to the right people
- talking to stakeholders to check our understanding of their high-level priorities for each part of our business, and in particular, how their priorities are changing as we move towards net zero
- creating a topic-specific engagement plan for each of our stakeholders' priorities, to ensure we are making the appropriate plans on a short- to medium-term basis and delivering against them

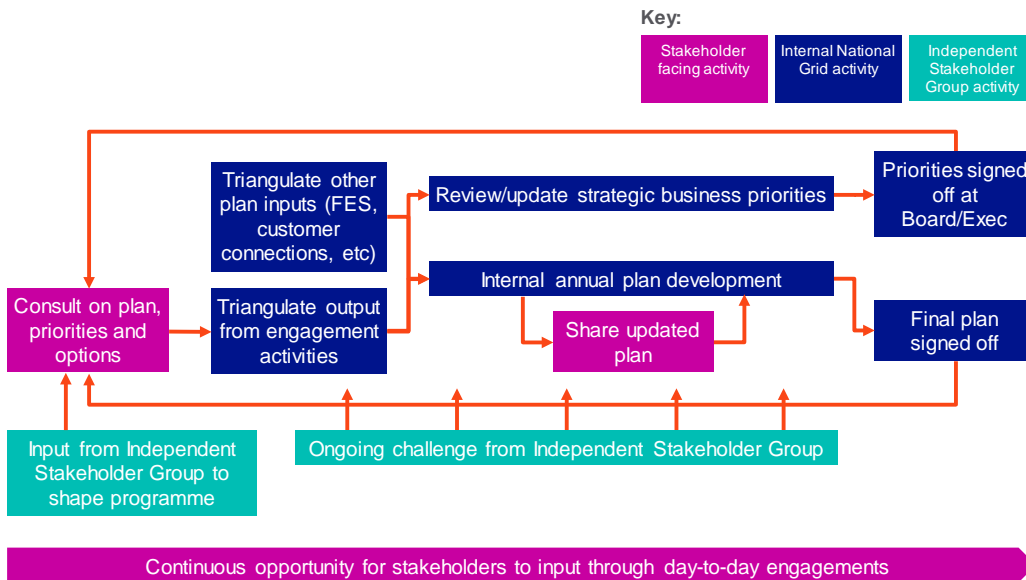
To deliver this, we will use a model of limited 'central' coordination, to manage a repository of all stakeholders to support effective profiling and segmentation, to ensure consistency, to keep up-to-date with proven good practice and to communicate progress against targets. However, it will be the responsibility of employees across the business to identify the need for engagement, plan and execute the engagement, and act on its outputs – all based around the AA1000 framework.

We will make sure our employees have the additional tools, skills and capabilities required to deliver this. To ensure we continue to embed the cultural shift needed to deliver our stakeholder engagement strategy, stakeholder targets will be included within personal performance objectives.

Our current stakeholder and consumer priorities



An overview of our strategic and tactical engagement programme



Note: We will engage on topics based on stakeholder and/or business need and not on the whole plan on an annual basis, as this would not align with materiality or proportionality.

Giving consumers a voice

We have always had an obligation to efficiently deliver what consumers need from us, but in the past our direct consumer engagement has been limited because of our indirect relationship with them, and because our consumer bill impact is relatively low.

Although those two things haven't changed, consumer expectations are changing. Reliability and affordability are still top priorities, but topics like the environment, supporting communities, corporate responsibility and transparency are now also becoming increasingly important. Understanding consumers' expectations, coupled with ensuring we have a better understanding of consumer trends and how these influence whole system requirements, will shape our plans to deliver what consumers need from us.

We will ensure the consumer voice is heard more loudly and so our approach to engagement now includes, and will continue to include, direct engagement and research with those who use the energy we transmit – this includes both domestic consumers and different types of business consumers, many of whom rely on a reliable and efficient energy supply for the success of their business.

We use a range of channels and methodologies to engage consumers, and will further develop our consumer engagement programme in the RIIO-2 period. This includes:

- quantitative research with nationally-representative samples of household consumers, including acceptability testing and/or willingness to pay research where appropriate
- qualitative research to help shape quantitative studies and allow more detailed exploration of certain topics with targeted groups of consumers
- quantitative and qualitative research with business consumers of all types
- using consumer trend data and specific research studies to help predict future trends and make sure our plans balance the needs of current and future consumers
- using innovative approaches like interactive online 'gamified' tools to help explain who we are, what we do, and understand what consumers want from us
- consumer listening events to hear first-hand what consumers want from us

Through our programme, by using the appropriate channels and by engaging on the appropriate topics, we will make sure we gather representative insight from:

- hard-to-reach groups (both consumers and other stakeholders)
- vulnerable and/or fuel poor consumers
- different types of business consumers (e.g. high versus low energy dependency)
- current and future consumers

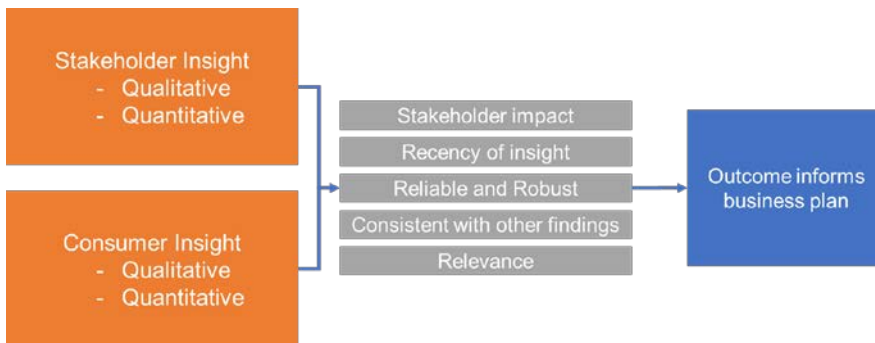
We will triangulate the outputs of this engagement with what we hear from other stakeholder segments as we develop our plans.

4. Triangulating insight through our decision-making framework

Different stakeholder groups and different sources of insight can provide conflicting opinions for some parts of our plan. We use a decision-making framework to help us draw the right conclusions from our engagement, and this uses a principles-based approach, which is simple, transparent and flexible to adapt to different topics and sources of input.

This involves enhancing our existing Customer/Stakeholder Relationship Management tools to systematically capture all the input we've received, from stakeholders, consumers, research studies or secondary sources, and then assessing it against a set of principles to determine how we shape our plans. This is done on a topic-by-topic basis. The decision-making principles we use are:

- **Impact:** where stakeholders are impacted more heavily by a particular topic, their views are given more weight
- **Recency:** recent evidence is given more weight
- **Robustness:** this covers several areas but (for example) insight from a more representative or more informed group of stakeholders would carry greater weight
- **Consistency:** although outlying views are always considered, less weight is given to a small number of conflicting views if the majority of other views are aligned (assessed in conjunction with Impact)
- **Relevance:** more weight is given to inputs relating directly to the topic in question, than to more general insights



5. Retaining an Independent Stakeholder Group to hold us to account

To ensure we go beyond expectations, we propose to retain an Independent Stakeholder Group to hold us to account, challenging our engagement activities, scrutinising our business plans and verifying our annual reporting to ensure we remain transparent. The group will set challenging and tangible metrics against which we can be measured, and progress against which can be shared with our stakeholders.

We see measurement falling into three categories:

- **stakeholder metrics** (e.g. segmentation statistics)
- **engagement metrics** (e.g. quality of engagement (currently via AA1000 health checks), number of stakeholders engaged, appropriate representation and stakeholder satisfaction)
- **impact and outcome metrics** (e.g. plan/decisions changed, money saved for consumers).

These metrics will ensure we focus on delivering value-adding, efficient engagement, and will include measures of the benefit created for stakeholders through our engagement activities, and the cost of delivering these activities. We will report on our performance, and so there will be a reputational impact linked to delivery of our targets.

The group itself will help determine how it carries out its objectives on an ongoing basis. We would expect the group to meet formally on a quarterly basis outside of price control review periods, and would expect them to provide challenge at the start of each year's engagement programme to ensure our plans are comprehensive, representative and inclusive, and to challenge us on best practice and shape our engagement based on learning they have acquired from other sectors and organisations. Our UK Executive Director would regularly attend the group, and our Electricity Transmission Director (and NGET Board member) would attend every meeting to represent Electricity Transmission.

To ensure continuity with the work we have already done with the group, we would like at least one third of the existing group to remain in post for the start of RIIO-2. In future, members of the group would change on a periodic basis to ensure continued independency and to provide the opportunity to bring fresh perspectives. We would expect the group to continue to have a strong consumer voice, and to ensure transparency, we would share relevant challenges, actions and reports with our wider stakeholder population.

This engagement strategy will be reviewed and updated on an annual basis.

Appendix: NGET Board stakeholder charter

All members of the NGET Board signed the charter below in November 2019 to show their ongoing commitment to us being a stakeholder-led business.

<p>Ambition</p> <ul style="list-style-type: none"> • We want to learn from our stakeholders, we will involve them through every aspect of our business • We will partner with our stakeholders to support the transition to net zero, to solve problems together • We will work together to build advocacy on topics where stakeholders have told us we need to use our position in the energy industry to advise and influence on their behalf, in the wider interests of consumers • We will embed this approach across our organisation and make ongoing improvements to the way we engage. 	
<p style="text-align: center;">Approach</p> <p>We will:</p> <ul style="list-style-type: none"> • Be outcomes focused • Ensure inclusivity, including with hard to reach and vulnerable stakeholders • Focus on materiality (focusing on topics most important and relevant to our stakeholders) • Be responsive and systematic • Be stakeholder focused at all levels of the organisation • Give consumers a voice • Triangulate insight appropriately • Retain an independent stakeholder group to hold us to account • Be transparent in our performance against defined targets 	<p style="text-align: center;">Commitment of the Board</p> <ul style="list-style-type: none"> • We recognise that engaging our stakeholders is key to delivering our vision to exceed the expectations of our stakeholders, both now and in the future. Therefore as Board members we will commit to: <ul style="list-style-type: none"> • the ambition and approach outlined in the stakeholder strategy • approving the stakeholder-led business priorities on an annual basis • tracking and monitoring key stakeholder engagement performance metrics twice a year • being actively involved in stakeholder engagement activities • assuring that across our business, at all levels, we continue to build and further embed stakeholder engagement
<p>Signatures to the charter</p>	