



# 6. Giving stakeholders and consumers a stronger voice

## 1. Our most extensive engagement ever

We have carried out our most extensive engagement exercise ever to make sure our business plan for the T2 period reflects what our stakeholders need and expect from us.

Over the past two years, we have gathered input from more of our stakeholders, from more segments, on more topics and through more channels than ever before, and we've done this by following a best-practice enhanced engagement process and using independent challenge and review to help us continually improve.

We have heard from over 1,000 individuals representing all of our main stakeholder segments. We have also incorporated the views of over 11,000 household consumers and over 750 business consumers from a combination of face-to-face meetings, focus groups, online consultations and bespoke research studies. We've included feedback from over 300 stakeholders from our satisfaction surveys and complaints process, and we have used consumer trend data and other third-party publications as additional sources of insight. We have used this input to build our plans with those they affect and, by broadening the scope and reach of our engagement, we can be more sure than ever before

**Materiality:** engaging on topics and issues that influence our decisions, actions and performance

**Responsiveness:** acting as a result of what stakeholders have told us

The AA1000 framework aligns with our strategy of:

- engaging our stakeholders on the topics that are most important and relevant to both them and us
- engaging only on topics where stakeholders can genuinely make a difference to our plans
- being clear upfront on the desired outcomes of each piece of engagement
- engaging with the right stakeholders, through the right channels through a coordinated and tailored engagement programme
- using stakeholder input to develop our plans, then sharing these plans with stakeholders to check we've understood their requirements.

Since adopting AA1000 in 2016, our engagement activities have been independently assessed against the standard by AccountAbility (the organisation which created AA1000) on an annual basis. Our assessment scores have increased year-on-year, with the latest assessment rating us at 74%. This places us in the top 15% of all companies assessed worldwide.

that our plans reflect, and will deliver, what our stakeholders need from us.

### i. A robust strategy and approach

Throughout the process of building our T2 plans, we've been set a number of challenges by an Independent Stakeholder Group, and Ofgem have also set criteria that they expect us to meet. For the development of our business plan, this includes providing evidence of:

- robust and high quality engagement with stakeholders in designing the plan
- appointment of a company specific group
- effective engagement with this group and the RII0-2 Challenge Group.

We provide evidence of how we have met these criteria in sections 1 and 2 of this chapter, and our strategy for stakeholder engagement can be found in annex A6.01.

### Following the AA1000 framework

Our engagement has been based on an outcomes-focused approach, following 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

Figure 6.1 Our engagement approach



### ii. Ensuring high quality engagement

We recognise that simply following the AA1000 framework is not a guarantee of high quality engagement, so we've worked with others to understand what best practice looks like, and have sought independent scrutiny of our approach.

### Learning from others

In building our enhanced engagement approach, we looked at where we need (and want) to be and what we needed to change to deliver what our stakeholders need



from us. By looking more externally, listening, and focusing on what all our stakeholders want from us, and by being more open, collaborative and flexible, we are creating plans which reflect our stakeholders' needs. For the first time, this has included talking directly to consumers away from our major project consultations. We have worked closely with a range of other organisations to learn from what they've done, both good and bad. These organisations include other energy networks, other industries (notably water and aviation) and consumer experts. We have also taken advice from expert consultancies who have supported other organisations with enhanced engagement programmes. We have used this knowledge to shape our engagement process.

### Independent Stakeholder Group

The quality of our engagement has been challenged by an Independent Stakeholder Group, which has been meeting regularly since July 2018. The group is made up of senior representatives from consumer, environmental and public interest groups, as well as large energy users, large-scale and small-scale customers, and distribution networks, and it plays a key role in our enhanced engagement programme. Members were invited to participate based on their individual expertise and experience across a broad range of energy issues. The independent Chair had the final say on appointing members to the group. The group has been fulfilling two main roles:

- **Challenging and reviewing** how we engage with our stakeholders in developing our business plan. In doing this, the group has reviewed and challenged our detailed, topic-specific engagement logs and assessed us against their own engagement principles. These logs are a complete record (by topic) of the engagement we've carried out in building our plans, and what we've heard from our stakeholders as a result. They can be found as annexes to our topic-specific chapters.
- **Scrutinising our business plan.** This involves assessing the outputs we are committing to deliver, our costs, our proposed incentives, and how we plan to deal with uncertainty in the T2 period. The group is checking that these reflect what our stakeholders have told us by reviewing and challenging the 'golden threads' we've created between the stakeholder insight we've received and what we have included in our plans. The group will report their views to Ofgem.

They have pushed us hard to go beyond industry norms for engagement, and as a direct result of the group's challenge and feedback:

- we increased the scale of our engagement, following early feedback that the group expected us to be doing more
- we now think about all of our plan in terms of current and future consumer benefit, including for the vulnerable and fuel poor
- we have offered options on topics that we might not previously have considered

- we have included deliberative research and acceptability testing in our consumer engagement programme, allowing us to ask more specific questions around options
- we have simplified the language we use when talking to stakeholders.

For more information on the Independent Stakeholder Group, please see the set-up report in annex A6.02.

### RIIO-2 Challenge Group

In addition to the Independent Stakeholder Group, whose focus is just on National Grid, Ofgem has appointed an independent challenge group to further scrutinise networks' plans and approaches, and provide a public report from the perspective of energy consumers. We have been engaging with this group, particularly regarding their expectations of what we should include in our T2 submissions, and have used their challenges to improve our plans, including:

- re-writing chapter 15 *How our plan should be financed*
- clearly linking the benefits of T1 innovation and outperformance to our T2 plan
- showing more information on cost trends and the reasons for differences between the T1 and T2 periods.

### Additional third-party challenge and review

At appropriate points throughout our engagement process, we commissioned independent assessments of our activities, and used the learning from these to help us improve. We have also used third parties to check that we've engaged a relevant, representative sample of stakeholders on each topic, and that we've correctly translated their views into our plans. More details can be found throughout this chapter, and in annexes NGET\_A6.03 Truth Reports and NGET\_A6.07 Frontier Golden Thread Assessment.

### Leadership involvement within our business

Our stakeholder-focused approach is supported by leadership at all levels within our organisation, up to and including our Board and CEO, and many senior leaders (including Board members) have been personally involved in our engagement activities, including meeting customers, consumers and the independent stakeholder groups face-to-face to understand first-hand what they expect us to deliver. Our non-executive directors have also attended meetings of the Independent Stakeholder Group. Our internal governance processes have been changed to ensure that stakeholder evidence plays a key part in the decision-making processes for the development of our T2 plans.

### iii. Reflecting the needs of consumers

One of our main challenges from the Independent Stakeholder Group was that we needed to do more to engage directly with consumers (both household and business). This has helped shape our consumer engagement, which has also been the subject of review and challenge by Citizens Advice.



At appropriate points in our engagement programme, we have used direct consumer research and engagement to understand exactly what the end users of the energy we transmit need and expect from us. Much of this has been shaped by what we've learned from talking to our peers in the water industry. We've tried to find innovative ways of talking with consumers, and we've supplemented this with third-party consumer research, such as cultural trend analysis. This is something we've never done before and it will continue to be part of our ongoing engagement approach. Details of specific consumer-focused activities can be found in section 2, including how we have targeted harder-to-reach consumer segments.

#### iv. Converting insight into plans: our decision-making framework

One principle of the AA1000 standard is **responsiveness**, which means we need to act as a result of what stakeholders have told us, and, for our T2 submissions, this means creating plans which genuinely reflect what we've heard. Details of how we've developed our plans from the insight we've obtained can be found in each of our topic-specific chapters. In some cases, this was a straightforward process because we were working with a limited number of stakeholders and/or there's a consensus amongst them about what we need to do.

However, for some parts of our plan, stakeholders have provided different views, and so we have developed a decision-making framework to help us draw the right conclusions from our engagement. We created this framework after taking advice from a range of organisations who have worked with others on similar projects, and what we learned is that there is no exact science to triangulating different inputs. Instead, we developed a principles-based approach, which is simple, transparent and flexible to adapt to different topics and sources of input.

This involves looking at all the input we've received, from stakeholders, consumers, research studies or secondary sources, and assessing it against a set of principles to determine how we shape our plans. This is done on a topic-by-topic basis. Throughout the chapters of our plan, we have explained how we have done this and (where applicable) the trade-offs we have made, to provide transparency around the process and a clear link between what stakeholders have said and the content of our plan.

The decision-making principles we have used 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

To check that we've applied these principles correctly, and that our proposals genuinely reflect what our stakeholders need from us, we commissioned an independent review (with Frontier Economics) of how we had translated stakeholder input into our plans. In particular, we asked them to test that a 'golden thread' exists between what stakeholders have told us and the content of our plan – their report can be found in annex NGET\_A6.07 Frontier Golden Thread Assessment. This whole approach, as evidenced within this chapter and throughout the rest of our plan, means that our stakeholders, the Independent Stakeholder Group, the RIIO-2 Challenge Group and Ofgem can have confidence that we've followed a robust, best practice process of enhanced stakeholder engagement, and that our plans genuinely reflect what our stakeholders need us to deliver in the T2 period.

#### Examples of trade-offs

Trade-offs for each topic are included in the engagement table of each chapter. These include:

- **Chapter 7/8** We engaged on whether we should include the costs of maintaining SQSS compliance on voltage and fault levels in our baseline funding, or instead develop new uncertainty mechanisms that would only provide funding after a whole system process had been followed. Based on what we heard, we propose to forego the certainty of baseline funding to embrace the potential of whole system solutions to reduce costs for consumers. This reduces our baseline plan by £383m.
- **Chapter 9** Some stakeholders told us there would be less reliance on transmission in a decentralised future, while the majority of stakeholders wanted us to maintain (or increase) current levels of reliability. Our T2 plan balances these views to keep options open for a variety of possible futures. We also needed to balance the views of those who wanted to see reliability increase against the need to provide more general consumer affordability. Our proposal to create a tougher target for Energy Not Supplied (ENS), whilst maintaining proposed spend, was deemed by our stakeholders to achieve the right balance.
- **Chapter 11** For visual impact, there are polarised opinions from those most impacted, who feel we should do anything we can to avoid negative visual impact and are willing to pay for this, and those who are less impacted and don't want to pay. Whilst views are mixed, stakeholders support the current stakeholder-led approach, which assesses visual impact on a case-by-case basis, and so we



have proposed to continue the T1 approach into the T2 period.

## 2. Putting our strategy into practice: tailored and more detailed engagement

We recognise the importance of quality engagement with our stakeholders if we are to deliver what they need from us. Much of what we do can be shaped by what our stakeholders need and expect from us, so we've not just been sharing our plans and asking for feedback, we've involved our stakeholders from a much earlier stage than ever before – starting with establishing their priorities, and then working through each of these in more detail to build a plan that reflects their needs. We've tailored our engagement to make sure we're talking to the right people about the right topics, and we've used a broader

range of channels to ensure we're engaging with individuals in the most effective way.

At the start of the process, we set out a three-phase enhanced engagement programme. We then applied the strategy, approach and principles detailed above, including our learning from others, to create an engagement plan for each stakeholder priority topic. We identified this approach because it fitted well with the best practice we had seen elsewhere. Our approach starts broad to make sure we are not missing anything. We then focus on specific areas in more detail, so that by the end of the process, we have a plan that reflects what our stakeholders want from us. This approach allows us to show the clear link between what stakeholders have told us and what is in our plans.

Figure 6.2 – the three phases of our enhanced engagement programme



### Phase 1: establishing stakeholder priorities

The first phase of our engagement focused on understanding our stakeholders' priorities. Through our existing engagement, we already had a good idea of what was important to them, but because the energy industry is changing significantly, we began a series of engagement activities in summer 2017 to check this:

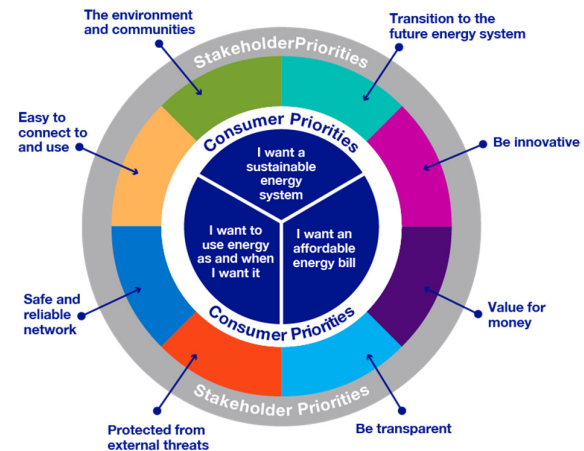
- we ran three workshops in different parts of the country (with 46 attendees) to listen to stakeholders and understand their priorities
- we held an online consultation (679 responses) using the same material to reach stakeholders who were unable to attend the workshops
- from these phase 1 activities, we established the eight stakeholder and three consumer priorities around which our plan has been based. We validated these priorities with our stakeholders throughout phases 2 and 3.

### Phase 2: working with our stakeholders to build the detail of our plans

In the second phase of our engagement programme, we used stakeholder input to identify specific focus areas within each high-level priority. For each of the priority topics identified in phase 1, we used the AA1000 framework to plan a programme of engagement. Specifically, this involved:

- Identifying the sub-topics for engagement. By applying the principle of **materiality**, we engaged on topics that had been identified as an area of interest

Figure 6.3 Our consumer and stakeholder priorities



by stakeholders and/or that were an area where stakeholders could genuinely influence our plans.

- Following the principle of **inclusivity**, identifying the interested and impacted stakeholders, mapping them to understand their specific requirements in relation to each topic, then using this information to select the appropriate channel(s) for engagement.

We used a mixture of sources of insight, including direct engagement channels and secondary sources.



### Giving stakeholders genuine options

An important change in the way we've engaged over the past two and a half years has been the development and discussion of options. Previously, we had been accused of not genuinely consulting with those we impact, so to make sure our plans are properly stakeholder-led and not just focused on what we think we should do, we developed and shared options with our stakeholders in phase 2. Our plans have then been built on what they prioritised.

Where options were not available (where we are bound by legislation, for example), we explained our approach and why we need to do what we do. Where there is a choice, we've also provided details of costs (including the impact on consumer bills), to allow stakeholders to make a more informed decision.



### A voice for consumers

As we began to build the detail of our plan, we started to explore certain topics with consumers. For domestic consumers in particular, this brought its own challenges, given that the vast majority of the public is largely unaware of how the energy industry works and particularly of our role within it. We therefore worked with independent third parties and with consumers themselves to create simple, clear and unbiased context material that we could use at the beginning of any research or engagement activities. Consumers told us this really helped them to provide a more informed opinion on our plans.

We also recognised the need to ensure we included the harder to reach members of society in our engagement, particularly those who may be vulnerable and/or fuel poor. Many of our stakeholders tell us that there are limited expectations for transmission companies to interact directly with these groups, and that suppliers and distribution network companies are better placed to address their needs because they interact with them on a regular basis. However, we have been working hard to ensure we properly represent the needs of these specific consumers in our plans, so asked our research partners to consider in-home interviews to help reach them. Consumers can also be hard to reach because of mobility or connectivity issues, for example, so again we've made sure we include a mixture of face-to-face and online methodologies to ensure we're being inclusive. All of our quantitative consumer research included proportionate representation from low income households, and we've also made sure we have

representation from both urban and rural communities to highlight any potential differences in views or priorities. You can read more about how this research has shaped our proposals to support consumers in chapter 11 *We will care for the environment and communities*.

### Willingness to pay research

Beginning in 2018, we led a piece of work with Scottish Power and SSE to conduct a willingness to pay study, covering a nationally-representative sample of 1,000 domestic consumers, plus 600 business consumers. The report from this research can be found in annex NGET\_A6.04 Willingness to pay report.

We learned lessons from previous willingness to pay studies in the energy and water sectors to improve how we carried out our joint study. In particular:

- For the T1 period, willingness to pay research was only carried out in relation to the visual impact of transmission assets. For the T2 period, we provided more overall context and asked consumers for views on a wider range of issues that matter to them.
- For RIIO-ED1 and in recent water industry willingness to pay exercises, networks were criticised for inconsistencies in their research methodologies, and in how they had chosen to interpret the results. We commissioned a joint study with the other transmission owners to ensure consistency.

The study covered the topics of network reliability, resilience, visual impact, environmental impact, innovation, supporting communities, and facilitating future decarbonisation. We sought advice from Citizens Advice, Ofgem and the respective independent stakeholder groups as we developed the research approach. There was positive willingness to pay for all topics amongst domestic and business consumers.

**Figure 6.4 Willingness to pay values for electricity transmission**

	£/consumer/year	
	Domestic	Business
<b>Risk of powercuts</b>		
2 hours decrease in the hours of powercuts at a 1.5% probability	7.70	43.30
4 hours decrease in the hours of powercuts at a 1.5% probability	9.70	66.95
<b>Fewer days to recover from a blackout</b>	3.58	24.15
	(each day)	(2 days)
<b>Undergrounding overhead transmission lines</b>		
20 miles additional undergrounding in designated areas	6.87	45.02
20 miles additional undergrounding in other areas	6.46	45.90
<b>Improving visual amenity of overhead transmission lines</b>		
Additional visual impact work in designated areas	4.14	27.36
Additional visual impact work in designated and other areas	4.81	33.68



	£/consumer/year	
	Domestic	Business
Additional transmission site environment improved		1.68 (per site)
25 additional sites	8.92	
45 additional sites	10.78	
Investing in innovation		
Medium scale compared to small scale projects	2.38	10.56
Large scale compared to small scale projects	3.11	10.56
Supporting local communities		
Current level of activities	8.26	19.23
Current level of activities and additional funding to charities	8.46	19.23
Investing in EV charging infrastructure before definite need	9.55	32.38
Investing in infrastructure to connect renewables before definite need	11.78	38.89

Source: NERA analysis

Where applicable, the results from the willingness to pay study are informing our business plan, but we recognise there are limitations to this type of research for transmission networks, and therefore the willingness to pay values alone have not been used to determine our proposed levels of spend. It is one useful data set that we can triangulate with other consumer data to help inform our plans.

### Other consumer research and engagement

Consumer experts on the Independent Stakeholder Group challenged us to think about different ways of engaging consumers, particularly when it comes to getting into detail on topics that affect them, but with which they are not very familiar. We worked with independent third parties who specialise in this type of work to develop a plan for research and engagement. This included listening to consumers face-to-face, with our senior leadership team attending two sessions to understand in more detail what consumers want from us. Hearing this first-hand is very powerful.

### Considering the needs of future consumers

We also used cultural research and examined consumer trends to understand the needs of future consumers as well as current, and we ran a consumer focus group to understand views on whether current or future bill payers should pick up the cost of new investment.

### A tailored approach for each priority

We applied our strategy and approach for each stakeholder priority, to make sure our engagement was appropriately tailored for each topic. Our phase 2 engagement included:

## Transition to the future energy system

### What we engaged on

- We used a range of published information to shape our engagement on this topic, which had the aims of:
  - informing stakeholders on an area with minimal analysis and debate in the public domain
  - gathering stakeholder views on their priorities and the future role of electricity transmission, including around the decarbonisation of electricity, transport and heat, and whole system solutions

- discussing the need for a transmission network in the long term, including how the T2 framework and our own business plans should deal with future uncertainty.

### Who we engaged and how

- This topic is complex, and the interested and impacted stakeholders are varied, so we tailored our approach accordingly to include:
  - Initial workshops to introduce the topic at a high level (three workshops with 46 attendees representing all of our key stakeholder segments)
  - An online discussion document and survey to inform and consult (15 responses covering **customers, other networks, our supply chain and the ESO**)
  - Two webinars with 29 attendees covering **customers, other networks, our supply chain, interest groups and government**
  - Bilateral meetings with **other networks, BEIS** and the **ESO**, and working groups with the ENA to understand stakeholder views in more detail
  - Two further webinars covering future uncertainty
  - Meetings and bilaterals with **Demand Side Response and storage providers**
- We also engaged over 3,000 **domestic consumers** and 600 **business consumers** via our willingness to pay, acceptability testing and interactive online tool research on the specific topics of ultra-fast EV charging and investing in the network to facilitate decarbonisation

## Easy to connect and use

### What we engaged on

- Within this topic, we engaged on our customers' priorities of:
  - Improving the experience of connecting to the network
  - Minimising the impact of our work on those already connected to the network

Making our charges clearer and more stable for our customers

### Who we engaged and how

- The target stakeholder audience for this topic is well defined as those who are already connected to the network or who may wish to connect in future, and we already engage with many of these stakeholders through our business as usual activities. This covers **large and small customers, other network companies and new business models**. Our engagement has included:
  - Talking to existing and prospective customers about their current experiences and future requirements through our customer journey work
  - Several hundred pieces of feedback from existing customers through our customer satisfaction surveys, net promoter (director to director) conversations and complaints process
  - Two customer charging seminars in Glasgow and London (114 attendees in total)



- An Electricity Transmission connections event with over 50 attendees
- Bespoke research with 12 existing and prospective customers, covering the areas of decarbonisation, small generation, electric vehicles and storage

### Safe and reliable network

#### What we engaged on

- Reliability has consistently been flagged as our stakeholders' number one priority. We spoke to them about their future expectations for reliability of the transmission network, and about the options available to us in delivering this. This included:
  - Network risk, and how reliability targets should be set and measured (Network Asset Resilience Metric)
  - How we optimise our plan, including the role of innovation and whole system solutions
  - Asset intervention options
  - Energy Not Supplied (ENS) incentives.
- We see safety as non-negotiable (and previous stakeholder feedback has aligned with this), so we didn't engage on that topic

#### Who we engaged and how

- We engaged those who were impacted by or interested in the current and future reliability of the network. This included over 80 organisations and more than 3,600 domestic and business consumers through a mixture of tailored engagement channels:
  - **Ofgem and the other electricity Transmission Owners** through meetings and workshops
  - The six **Distribution Network Operators** through existing forums such as the Joint Technical Planning Meetings, workshops, webinars and bespoke one-to-one sessions
  - The **Electricity System Operator (ESO)** through one-to-ones
  - **other energy industry organisations** through trade associations, and a bespoke one-to-one with **Energy UK**
  - **Directly-connected customers** through director-level one-to-ones and via workshops, webinars and online consultations
  - Other interested parties including our **supply chain, academics, consumer groups, other interest groups, consultants and major infrastructure organisations** via workshops, webinars, surveys and consultations
  - **Consumers** (domestic and business) via willingness to pay, acceptability testing and interactive online tool research (both quantitative and qualitative), and future trend data.

### Protected from external threats

#### What we engaged on

- For this topic, the requirements are largely set by government and the relevant authorities, so the opportunity for broad stakeholder input is limited. However, we engaged impacted and interested parties on the broader topic of resilience before working

closely with the relevant specialist organisations to define the detail of our plan. This approach was consistent with the views of the Independent Stakeholder Group.

- We covered the topics of cyber security, physical security, protection against extreme weather and Black Start, with the aim of understanding what our plan should be for each of these topics.

#### Who we engaged and how

- Our broad engagement took the form of a survey to understand requirements, followed by a workshop to facilitate discussion, with 39 attendees covering **political and regulatory stakeholders, other networks and the ESO, direct customers, our supply chain, academics** and other interested parties
- We led a piece of research on resilience with the Energy Research Partnership, covering broadly the same stakeholder segments as above, with the aim of understanding future resilience requirements
- We engaged with experts on specific topics:
  - We engaged on cyber security requirements through the Energy Emergencies Executive Committee for Cyber Security (quarterly), with representatives from **government** (BEIS and the National Cyber Security Centre), **Ofgem** and the **NIS Competent Authority, other network companies, customers and consumer bodies**
  - We are part of the Black Start Task Group set up under the Energy Emergencies Executive Committee. This meets quarterly and includes stakeholders from **government (BEIS) and Ofgem, other network companies, customers and consumer bodies**
  - We continue to work closely with **BEIS** and **CPNI** to understand the physical threat against our Critical National Infrastructure (CNI) sites and agree the sites which need to be protected
  - On the topic of extreme weather, we have engaged via an ENA working group, which includes **political and regulatory** stakeholders (including the Environment Agency), **network companies, interest groups, think tanks and academics.**
  - On Operational Telecommunications (OpTel), we have engaged with **SSE** and **Scottish Power** on consistency of standards and engineering approach. We continue to engage with the **ESO** to understand future OpTel requirements and with **CPNI** to ensure our approach meets the requirements for CNI
  - At a high level, we have engaged over 3,000 **domestic consumers** and 600 **business consumers** on this topic via our willingness to pay, acceptability testing and interactive online tool research (both quantitative and qualitative)

### The environment and communities

#### What we engaged on

- This topic contains a number of sub-topics, so we first needed to understand which of these were most important to our stakeholders



- For the environment, we then engaged in more detail on these priority topics, to understand exactly what we need to deliver for each of them. These included:
  - Reducing our greenhouse gas emissions and overall carbon footprint, and the appropriate targets
  - Reducing waste
  - Improving the natural environment
  - Improving the visual impact of our assets, including whether or not there was support for a continuation of the T1 Visual Impact Provision (VIP) scheme
  - Our role in leading environmental sustainability across the industry
- For our role in making a positive contribution to society, we engaged on:
  - Our role in supporting local communities impacted by our work
  - Our role in supporting wider society, including those in vulnerable situations and/or fuel poverty
  - Promoting community benefit through our supply chain
- We also explored how stakeholders thought the above should be funded

#### Who we engaged and how

- There are certain segments of stakeholders who are especially impacted by or interested in these topics, but they also generate broader interest. We therefore created a tailored engagement programme to explore the detail with those most impacted, whilst making sure we also captured other stakeholder input through more general channels. This included:
  - Three broad workshops and an online consultation to understand stakeholders' priorities within this topic, with attendance/responses from 60 stakeholders representing organisations from **all of our key stakeholder segments** and over 600 **members of the public**
  - A further workshop and consultation focused specifically on this topic. We received input from 76 stakeholders covering our **supply chain, environmental interest organisations, Ofgem, consumer groups, other networks, academia and local communities**
  - Ongoing engagement with the **VIP Independent Stakeholder Advisory Group** (with representation from **interest groups and Ofgem**)
  - **Consumer** acceptability testing (including **vulnerable consumers**) for VIP schemes
  - A bilateral meeting and ongoing conversations with **Citizens Advice** to understand their expectations of our role with communities
  - Two nationally-representative **consumer** research studies (5,137 domestic and 621 business respondents in total) to establish priorities
  - A consumer listening session with 36 **members of the public** (talking directly with our director and senior leadership team)
  - Bilaterals with eight **investors** on the topic of Total Societal Impact (TSI)
  - Further engagement on TSI through meetings, focus groups, interviews and surveys, covering 30

senior **political and regulatory** stakeholders, 41 **employees** and 3,000 **members of the public**

- We engaged an additional 3,000 **domestic consumers** and 600 **business consumers** via our willingness to pay, acceptability testing and interactive online tool research
- This was supplemented through cultural research and other consumer trend data
- We held two webinars with **SF6 experts from across the globe**
- We engaged on supply chain issues through ongoing discussions with our **partners**, peers in other industries, and through the Supply Chain Sustainability School

#### Be innovative

##### What we engaged on

- Stakeholders have identified the need to be innovative as one of our priorities, so we needed to understand what they wanted us to focus on, what we should try to achieve through our innovation projects, and how they thought a future innovation framework should operate
- We also engaged on our innovation strategy and how innovation should support the overall efficient delivery of our plan. This was a particular area of focus for the Independent Stakeholder Group

##### Who we engaged and how

- Our stakeholder audience for innovation (those impacted by or interested in this topic) splits into those who are interested in the outputs of innovation, and those who are involved in its delivery. We used a number of tailored channels to engage on this topic:
  - We used workshops to gather input into how we should approach our future innovation programme. These covered stakeholders from our **supply chain, other networks, think tanks and academics, customers, consultants and other industry organisations** (over 90 attendees across two workshops)
  - We met **Ofgem** and other interested parties in specific innovation-focused meetings
  - We discussed innovation with **generators and BEIS** in a bespoke meeting in February 2019
  - Once we had clarity on priority topics, we ran a series of six webinars to explain our proposals and gain feedback from stakeholders on whether or not these were correct, engaging with 41 stakeholders from **academia, other networks, our supply chain, customers, interest groups, government and Ofgem**
  - We hosted an innovation exhibition with other networks at the 2019 Utility Week Live event, with interaction with 26 stakeholder organisations from within and outside of the energy industry
  - We published a series of podcasts to help inform stakeholders about our current areas of focus
  - We covered innovation as part of our **consumer** research, through willingness to pay, our online interactive tool, and acceptability testing





## Be transparent

### What we engaged on

- Transparency is a theme that runs throughout the whole of our plan, so it has formed part of our engagement on all topics. In addition, we engaged specifically to confirm stakeholder expectations and understand what transparency meant to them

### Who we engaged and how

- We've targeted our engagement at those stakeholders who are most interested in seeing transparency around what we do. This has included a number of specific meetings, workshops and conversations with **customers, consumer groups** and **Ofgem** to understand what they need and expect
- We have also engaged more broadly through a webinar, online publications and a consultation on our website to capture input from other interested stakeholders, as well as covering this topic in our broader, multi-topic engagement activities (including our phase 1 workshops and February 2019 playback consultation)

Throughout phase 2, the Independent Stakeholder Group challenged us to make sure we were talking to the right people in a non-biased and non-leading way, and that we were using the right channels as part of a tailored engagement programme. We also commissioned a specialist third-party organisation, Truth, to assess our approach and tell us where we could improve. As a result of their assessments, we improved the way we recorded stakeholder views at our workshops to ensure more usable insight, and addressed gaps in our direct customer engagement through additional engagement activities. The reports can be found in annex NGET\_A6.03 Truth Reports.

In addition to the topic-specific engagement above, we consulted stakeholders on our proposed Output Delivery Incentives. Details can be found in annex NGET\_ET.06 Output Delivery Incentives. We also engaged stakeholders on elements of the RII0-2 financial package (including the cost of capital and rates of return), but given the complex nature of this topic, our engagement was very targeted. We did not consider it appropriate to engage members of the public on this topic, because even after explanation, it is unlikely that consumers would have a full understanding, and therefore any views provided would have been largely uninformed. We did, however, engage Citizens Advice on this topic in their role as consumer representatives. This approach was agreed with the Independent Stakeholder Group, and details of our engagement on this topic can be found in chapter 15 *How our plan should be financed*.

### Phase 3: publishing our business plans and asking for stakeholder views

We have made sure we are properly reflecting what stakeholders have told us in our plans by playing back the outputs from individual engagement activities, and also by playing back our latest ideas to address our stakeholder preferences at appropriate points throughout the process. This is about closing the loop, and showing

stakeholders how we have developed our plans to reflect what they've told us.

In our February 2019 playback consultation, we collated everything we'd heard on all eight stakeholder priorities, setting out our direction of travel based on stakeholders' views. We then consulted on this, to make sure we'd understood our stakeholders correctly, using a combination of channels. As far as we are aware, this is the first time an energy network company has consulted on its direction of travel for the whole of its business plan. We incorporated feedback from this consultation into our July 2019 draft plan, and invited further feedback following publication of that draft plan. For our October and December plan updates, we've highlighted the changes we've made as a result of what we've heard. We communicated these to all of our stakeholders in mid-October, and will do so again in December.

Towards the end of the plan development process and following the submission of our October 2019 plan, we commissioned an independent assessment by Frontier Economics of how we had converted stakeholder insight into our plan. Frontier's report can be found in annex NGET\_A6.07 Frontier Golden Thread Assessment, and we have addressed their suggested areas for improvement in this updated plan.

### Acceptability testing

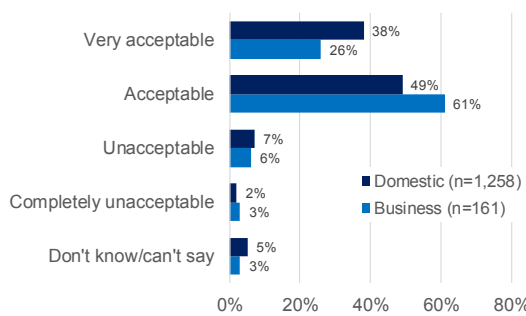
Once we had published our draft plan in July 2019, we used the information within it to carry out acceptability testing amongst consumers. In order to get as clear a picture as possible, our approach included:

- a quantitative research study covering a nationally-representative sample of 1,258 domestic bill payers
- a quantitative survey of 161 business consumers, looking at results from different company sizes and energy user types
- qualitative research with a cross-section of members of the public (two focus groups plus 14 interviews)
- further qualitative research amongst domestic consumers to explore the quantitative results in more detail (six focus groups, 48 attendees)
- a nationally-representative study of 1,000 domestic consumers, which used an interactive online tool as a more gamified way of explaining our plans and asking what choices consumers think we should make

All results were positive, both in terms of the acceptability of our plans and regarding respondents' feedback on the format used for the research. There were high levels of support amongst domestic and business consumers (87% for each), and across subgroups within both the domestic and business sample.



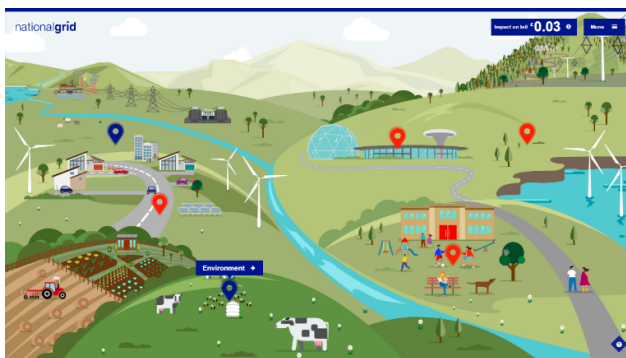
**Figure 6.5 Acceptability testing of overall plan**



From our interactive online tool (sample size = 1,047), results showed that:

- respondents added an average of £1.44 to their annual electricity bill as a result of the options they selected
- 57% selected options which added £1.25 or more to their bill
- 8% selected options which reduced their overall bill
- 67% said they currently receive value for money from National Grid, 7% said they do not.

### Our interactive tool



The full results from the online tool research and acceptability testing study can be found in annexes ET\_A6.05 Interactive Online Tool Research Report and ET\_A6.06 Acceptability Testing Reports. Results from both of these studies have been used as further sources of insight in our decision-making process.

### 3. Our commitment to enduring stakeholder-led plans

Our stakeholders have told us that the opportunity to input into and help shape our annual business plan updates is something they would like (and expect) on an ongoing basis. They expect this to be a genuine two-way engagement process. We outlined our proposed enduring approach in our July and October plans, and

since then have continued to develop it, along with our stakeholder engagement strategy (see annex ET\_A6.01), with details provided below. We will further develop and embed this approach as we move towards the start of the T2 period.

Our draft business plan is our most stakeholder, customer and consumer focused to date, so we want to build on this in the T2 period. **We are committing to continuing an enhanced stakeholder engagement programme indefinitely**, outside of the price control preparation process. We will make sure we engage with our stakeholders continually on both our short-term and long-term plans, and not only when there is a regulatory need to do so. We expect to adopt our improved process for the first time during our 2020/21 planning cycle (during the T1 period), producing our first stakeholder-led business plan update under this process in early 2021.

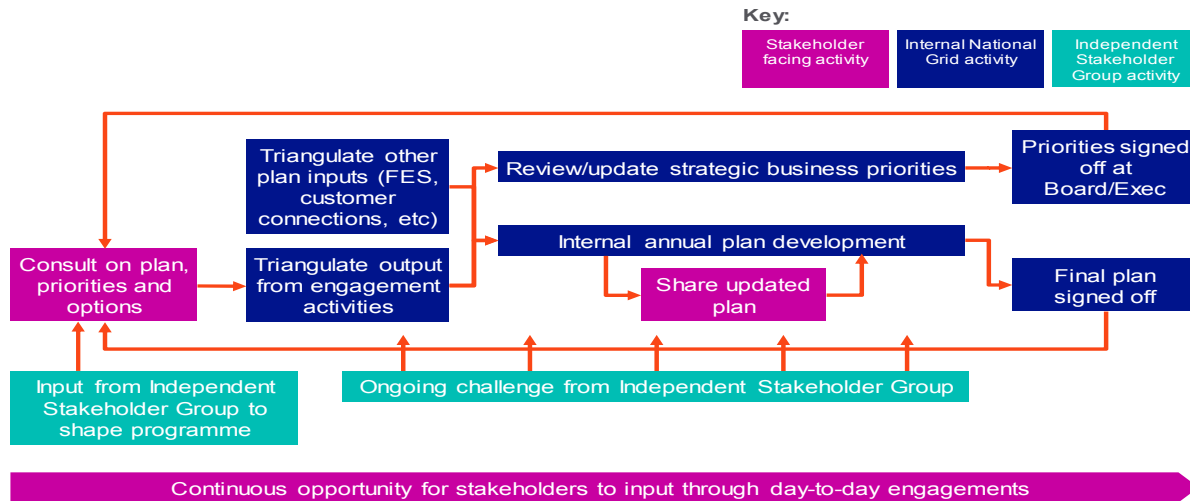
We've adopted as simple an approach as possible to changing business-wide processes, focusing on two main areas of change.

1. We have reviewed our existing business planning process to see where and how we can introduce stakeholder input, so that the end product is a plan informed by stakeholders' needs. In doing this, we will make sure we are open with our stakeholders, explaining why we are not able to consult on some areas of our plans, and where we do consult, providing genuine balanced options to choose between.
2. We are introducing the more complex behavioural and cultural changes to our business that are required to support this process change, focusing on why a stakeholder-led plan is important and therefore why our employees need to do things differently. Much of this can be linked to the AA1000 framework. We have already begun this process but it takes time, so we are dedicating more resources to making this happen as we move towards the start of the T2 period. We will also widen the coverage of the annual health check assessment to gauge how well we are embedding the changes across all parts of our business.

Our proposed ongoing business planning process for the T2 period, and how stakeholder input feeds into it, is shown below:



Figure 6.6 Our annual stakeholder-led business plan update process



This shows that:

- the previous year’s updated business plan will be our starting point for the next year’s update
- we will **collaborate** with our stakeholders – the outputs from our main stakeholder engagement activities, planned for the first quarter of each year, will be combined with other inputs to create a draft updated business plan
- we will be **transparent**, and share this draft update with stakeholders every autumn to make sure we’ve correctly reflected their input
- our draft plan will be updated and approved through our internal governance process
- we will also use stakeholder insight to inform and, if necessary, revise our strategic business priorities
- although we’re setting out a timeline, we’re always ‘open for business’ if stakeholders want to talk to us – we’ll be in ongoing dialogue with our stakeholders across a range of topics.

**Addressing Ofgem’s business plan guidance criteria**

Ofgem has set out its expectations for networks’ enduring approach to stakeholder engagement. These are listed below, along with details of how we will meet and go beyond them. Further details can be found in our stakeholder engagement strategy in annex NGET\_A6.01.

**Ofgem criteria:**

- Our approach must be strategic
- There must be senior level buy-in and engagement running through all levels of our organisation
- We must be responsive to stakeholders’ up-to-date needs and ensure that these are incorporated into the day-to-day operation of the business

We will follow our stakeholder engagement strategy and we will review and update this strategy on an annual basis. We will use stakeholder insight to shape our business at a corporate, **strategic** level, and in our **tactical**, day-to-day activities. Our CEO and UK

Executive Director have personally committed to updating our strategic business priorities on an annual basis to reflect the latest stakeholder insight. We will also review and update our Electricity Transmission priorities on an annual basis to reflect what our stakeholders need from us – NGET board members have personally signed a stakeholder charter committing to our engagement strategy on an individual and collective basis. Specifically, they have committed to:

- approving our stakeholder-led business priorities on an annual basis
- tracking and monitoring key stakeholder engagement performance metrics twice a year
- support the ambition and approach outlined in our stakeholder strategy
- being actively involved in stakeholder engagement activities
- assuring that responsibility for engagement is embedded across our business, and business leads understand their engagement responsibilities and have the tools, skills and capabilities to deliver

We are making stakeholder insights a more prominent part of our governance and decision-making processes. For Electricity Transmission, this will include our Electricity Transmission Director and senior leadership team reviewing the latest stakeholder insight at their Exec meetings and making decisions on the back of it. Our board members and Exec team will continue to meet stakeholders, including consumers, face-to-face to better understand what they need from us.

At a more tactical, operational level, we will further embed the AA1000 standard across our organisation to help deliver our business objectives, and will follow our strategy to engage on the topics that stakeholders have identified as their priorities. Engagement will be centrally coordinated but will be the responsibility of employees across the business



– this process has already begun with the engagement we've carried out as part of our T2 submissions. We will continue to use independent assessments against the AA1000 standard to monitor how well we are embedding this process, and an Independent Stakeholder Group will provide further challenge and assessment (see below).

Our annual process, shown above in figure 6.6, includes specific engagement activities to ensure we remain up-to-date with what our stakeholders need from us. This includes a formal check at the start of each year's business plan update process to confirm/update stakeholders' priorities, plus more detailed, topic-specific conversations throughout the year to enable us to respond to changing requirements. We will use our stakeholder relationship management system to record interactions and insights, and share these with those who need them as decision-making input. In section 1.iv above, we provided details of the decision-making framework used for our T2 engagement. We propose to continue using the same principles and approach to help convert insight into plans throughout the T2 period.

#### **Ofgem criterion:**

- Our approach must incorporate and build on best practice from RIIO-1 and from other industries

Much of our future approach will be based on the process we've followed over the past two years as we've built our T2 plans. We are taking what we've learned from this process, including challenges from the Independent Stakeholder Group, best practice gained from working with others (both within our industry and from other sectors), and feedback from independent assessments, and building on this and new stakeholder feedback to continuously improve. We will work with the relevant experts to help us do this.

#### **We propose to retain an Independent Stakeholder Group to hold us to account**

One of the best ways of ensuring we maintain our stakeholder focus is for an independent group to hold us to account, just as they have done in our T2 plan preparations. The high-level role of the group would be to continue to challenge our engagement activities, scrutinise our business plans and verify our annual reporting, including our preparation for the T3 period. The group would keep us accountable and ensure we deliver what our stakeholders want from us. As it is independent, the group itself would define the specifics of how they wish to do this. We will also engage Ofgem and other stakeholders on the nature of the group's enduring role. On a periodic basis, members of the group would change to ensure continued independency and to provide the opportunity to bring fresh perspectives. We propose that the group continues to have a strong consumer voice.

We would expect the group 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 there would be ongoing NGET board-level attendance at every meeting to represent Electricity Transmission.

#### **Ofgem criteria:**

- Our approach must be proportionate
- We must be inclusive of all stakeholders, including hard-to-reach groups and existing and future consumers
- We must deliver value-for-money outcomes that stakeholders need

Our enduring engagement approach will continue to follow the AA1000 principles of inclusivity, materiality and responsiveness. We will engage stakeholders on the parts of our plan that have a material impact on them, and for which there are genuine options.

We will continue to ensure that we cover a representative sample of our stakeholders, including our direct customers and domestic and business consumers, and will continue to map these stakeholders so that we only engage with those impacted by or interested in a particular topic. We will ensure we include the views of **current and future** customers and consumers. Consumer engagement will continue to be nationally representative.

We will use multiple engagement channels, continue to listen to how our stakeholders would like to be engaged, and look for innovative ways to engage them. The nature of innovation means it's difficult to be specific about exactly what this will look like, but it will be a key part of our engagement approach. We will work closely with other networks and appropriate partners to identify opportunities for joint engagement and reduce the risk of stakeholder fatigue. We also include our employees as one of our stakeholder segments and will engage them on relevant topics, as well as continuing to communicate with them regularly through our range of internal channels.

We will further develop our consumer engagement. In the T2 period, it will include, but not be limited to:

- 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.

We will broaden our coverage of **hard-to-reach and vulnerable groups** (both consumers and other stakeholders) by continuing to use a mix of channels and looking to find innovative ways of engaging.

Our enhanced approach to consumer engagement will allow us to test and check that we're continuing to deliver the outputs that consumers want from us, both during the T2 period and further into the future.

In section 2 of this chapter, we provided details of how we have checked whether consumers and our wider stakeholder population see our T2 plans as value for money. We will continue to do this in the T2 period by using a combination of quantitative and qualitative engagement methods, and by ensuring we engage on current and future costs as well as options when consulting stakeholders about our plans.

It's also important that our engagement activities themselves are proportionate and provide value for money. Our ambition is that the costs of our enhanced engagement programme will be heavily outweighed by the benefits we create as a result of our stakeholder-focused approach. We propose to use a model to deliver our engagement which includes some central coordination to manage the engagement and business planning process, but which mainly relies on employees across our Electricity Transmission teams to deliver this work on a day-to-day basis. Our estimated costs to deliver enhanced engagement across the T2 period are £760k per year. This covers the salary costs of a small 'central' team, the costs associated with running the Independent Stakeholder Group, and the costs associated with delivering additional engagement activities and carrying out the appropriate research studies, including the use of expert agencies and consultants where required.

These costs do not include 'business as usual' engagement activities, or the employee costs of delivering these. These activities and costs are spread across many teams and roles, and are covered in this plan within our overall opex costs. See chapter 14 *Our total costs and how we provide value for money*. For context, in 2018/19 we estimated that our **total** costs of engagement, including our business as usual stakeholder engagement activities, were around £3.7m. As a benchmark, Western Power Distribution, who consistently score highest of all network companies in the T1 stakeholder engagement incentive, estimated their costs to be £4.8m for the same period.

We engaged the Independent Stakeholder Group (and other stakeholders) about how these activities should be funded, with a consensus that a stakeholder

engagement incentive was no longer appropriate and that these activities should now be seen as business as usual. These costs are therefore part of our T2 baseline.

#### Ofgem criteria:

- We must be ambitious, with appropriate, well-evidenced and stretching performance commitments
- Our approach must be transparent, including how we will measure progress against commitments and the consequences for non-delivery

Measuring the impact of our engagement is a fundamental part of our strategy. We also need to measure how well we are delivering against the commitments we've made in this plan, and, to meet our stakeholder priority of being transparent, we need to communicate progress to our stakeholders (more details can be found in chapter 13 *We will be transparent about our performance*).

Our proposal for the T2 period is for the Independent Stakeholder Group to agree metrics and set ambitious targets, against which they would hold us to account, creating a reputation-only incentive relating to our engagement process and its outcomes. We are still more than a year away from the start of the T2 period, so we cannot yet be specific about details. However, we would expect targets to be based around the Stakeholder Group's engagement principles and to include these types of metrics:

- Quality/scope of engagement and how well we've embedded a stakeholder focus, e.g.
  - numbers of stakeholders engaged and appropriate representation of relevant segments/organisations
  - AA1000 health check score
  - stakeholder satisfaction with engagement process, e.g. using the Net Promoter System
  - % of business plan, appropriate topics engaged on
- Impact/outcomes of engagement
  - benefits to stakeholders driven by engagement (financial and otherwise)
  - plan/business decision changes made

Ultimately, the Independent Stakeholder Group would determine these metrics (ratifying any proposals that we make), set the relevant targets, and outline their expectations of how we should report and communicate them to our stakeholders, to ensure we are as open and transparent as possible. We will work with the existing group to develop a suite of metrics before the start of the T2 period. We expect these to include challenging targets around what we change as a result of our engagement activities and the stakeholder benefit, we create as a result.