

How we're listening to our stakeholders



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Introduction

This report summarises the ‘Listen’ phase of our stakeholder engagement as we develop our business plans for RIIO-2. It provides an overview of our engagement to date, and sets out how we will engage with stakeholders in the future.

This is the first of three documents that will describe our approach, and our thinking behind it. We will produce a report following each stakeholder engagement phase that will explain what we’ve heard, how we’ve acted on our stakeholders’ views, and what we’re planning to do next.

Summary



Given the unprecedented scale of change within our industry, there are compelling reasons to work even more closely with our broad range of stakeholders. We want to make sure we reflect our stakeholders’ views and consider their interests with business plans that are sufficiently flexible – our plans will need to adapt, whichever path the transformation in the energy landscape takes us.

Our ambition is for a truly stakeholder-led business plan submission, which we believe is good for us; good for our stakeholders, including consumers; and good for the industry as a whole.

This ambition stems directly from our company vision, which is *“We will exceed the expectations of our customers, shareholders and communities today and make possible the energy systems of tomorrow.”* The needs of all our stakeholders are at the heart of everything we do. So, our vision statement clearly describes the ambitious challenge we have set ourselves – to make sure we deliver value for them every day.

This is also why we’re transforming our business to one that is truly focused on our customers, underpinned by clear principles of earning trust, delivering value, caring for our customers, and being agile and transparent.

To achieve the ambition we have for our business plan, we’ve considered best practice from water and other utilities, as well as other regulated industries. Consequently, we’ve developed a phased approach to our engagement, the main parts of which are: Listen, Co-create, and Propose.

We have concluded the first phase – **Listen** – which was designed to truly understand our stakeholders’ needs and wants at a high-level. The outcome of our listening phase has led to us establishing priorities – three for consumers, and nine for our stakeholders. Although this phase has concluded, the whole process is designed so that we will include listening to our stakeholders at every stage.

Building on these priorities, we have started the **Co-create** phase, in which we will engage extensively in a way that suits our stakeholders on specific areas that make up our business plan and are important to them. Where appropriate, we will give stakeholders costed options to help inform their views.

Bringing together all the output from our co-create phase, we’ll engage on our overall business plan through the **Propose** phase, showing stakeholders the impact of each aspect as a whole.

The need for enhanced engagement with our stakeholders

We believe that enhanced stakeholder engagement is not just the right thing to do – but it will also help provide a business plan that will stand the test of time during a rapidly developing energy transformation. This ongoing transformation will continue to affect how we operate and run our business – and that can be challenging for our stakeholders. So, we want to make sure we engage our stakeholders on their own terms, to understand their needs, concerns and priorities, and follow that up with clear action.

Meaningful stakeholder engagement also sits at the heart of RIIO, Ofgem’s regulatory framework. Ofgem expects that engagement should take place at all stages of the development of the business plan. Companies also need to show how their engagement activities have changed their business plans to better deliver for stakeholders.

For RIIO-2, Ofgem have indicated a more formal role for stakeholders in the price control process. This enhanced engagement approach involves setting up an independently chaired Stakeholder Group that will challenge and review our engagement activities and scrutinise the detail of our business plans.



How we've established our engagement approach

We manage the electricity transmission system on behalf of our stakeholders. We recognise more than ever the importance of bringing their voices into our business decision making process, and have established the following principles to help us do that:

- We give our stakeholders' a genuine voice on how their transmission system is managed.
- We strive to understand our stakeholders' needs for the network, today and in the future.
- We give all our stakeholders a chance to be engaged in a way that works for them on the topics that are important to them.

During the previous price control review, we set out to establish our stakeholders' needs through a wide range of approaches. These included workshops, meetings, consultation documents that sought stakeholder feedback and responses, and an online consumer survey.

We launched our 'Talking Networks' website, where we published all our stakeholder engagement information and invited feedback.

We learnt much from our approach, including what worked well, and what was less effective. We also recognised that the increasing pace of change affecting the energy landscape meant that we needed to do things differently – especially if we were to develop a business plan that truly reflected the needs of our stakeholders and domestic consumers.

In addition to assessing the effectiveness of our approach for RIIO-T1, we started building on best practice from other sectors, including electricity distribution, gas distribution, water and the airline industry. We sought fresh perspective and expert insight from organisations such as PwC, Citizens Advice, Which? and Frontier Economics, and shared our approach with stakeholders, so we could learn what they felt best practice looked like from their perspective.

An important step for us has been adopting a recognised standard (AA1000SES) as the basis for our engagement approach. AA1000SES is an internationally recognised best practice engagement framework, supporting organisations to assess, design, implement and communicate an integrated approach to stakeholder engagement.

The hallmarks of the approach we have developed are:

- **Inclusivity** – we believe all our stakeholders should have the opportunity to have a say in the decisions that affect them. This means engaging more widely than before – for example by enabling 'hard-to-reach' stakeholders to have a voice. We will also work further to engage the right stakeholders at the right time, for example by identifying those stakeholders most affected by topics that make up our business plan.
- **Materiality** – we will only engage with stakeholders on topics that are material and that they can influence.
- **Responsiveness** – we will act transparently throughout our engagement process, and we will be clear about how we have arrived at our proposals, and ultimately our decisions.

We also asked stakeholders how they wanted to engage with us. They told us that they have a limited capacity to engage with us on everything, and that they need us to guide them clearly through the process of how they can best get involved.



A phased approach to our engagement plans



Once we had considered lessons learnt from RIIO-T1 and best practice from others, we developed a phased approach to our engagement plans. We've described the main phases below, and have also included a timeline to show how they link together over the period leading to the start of the RIIO-2 price control.

This phase runs from April 2018 to the end of the year and is where we get into the real specifics of our plans. We'll work with expert stakeholders on each topic, but we'll also make sure we involve our wider stakeholder community, including members of the public, in the decision-making process.

Stakeholder groups we engaged with during our listening activities

Large generators and retailers
 Small generators and retailers
 Large energy users
 Aggregators
 Distribution network owners
 Transmission owners
 Trade associations
 Public interest groups
 Environmental groups
 Consumer groups
 Consumers
 Political
 Academics
 Consultants
 Equipment suppliers

1) **Listen.** Listening to our stakeholders is something we do as part of our day-to-day activities. Now we're bringing together the results of all our engagement activities from across the business and creating additional activities as part of a coordinated programme of engagement. This is an important part of our business planning process.

The formal 'Listen' phase for our RIIO-2 plans came to an end in March 2018, but we will continue to listen throughout the whole process. From the Listen phase, we established our stakeholder priorities, which our future engagement activities will be based on.

2) **Co-create.** This phase is where we build on our stakeholders' priorities, working with them to develop the detail around our business plan proposals. Under each priority, we have identified a number of topics, and we'll work with our stakeholders through a variety of channels to create our plans. We'll also provide regular updates to let stakeholders know what we're doing and how they can get involved.

3) **Propose.** During this phase, we'll publish our full business plan for our stakeholders to review and comment on ahead of our submission. This will give stakeholders the opportunity to understand how their views have shaped our proposals. They will be able to comment on our whole plan, as well as its impact on customer charges and household bills.

4) **Scrutinise.** Running alongside our engagement, we are establishing stakeholder groups to provide further independent input and challenge to our business plans. Two separate independently chaired groups will be used for the Electricity System Operator and the Transmission businesses (gas and electricity). These groups will give us greater certainty that our plans meet the needs of our stakeholders, including consumers. Alongside the independently chaired stakeholder groups and our own engagement activities, Ofgem will create a RIIO-2 Challenge Group to consider the affordability and sustainability of the transmission businesses' plans. We'll share more details on this as they develop.

2017		2018				2019				2020				2021
Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Start of RIIO-2 New price control 1 April 2021
Listen Establishing stakeholder priorities to shape our future engagement plans		Co-create Building elements of our plans with stakeholders – getting into detail				Propose Sharing our plans with stakeholders to make sure we check we're meeting their needs		Scrutinise Detailed scrutiny and integrating plans with stakeholder groups		Agreement The final business plans submissions and stakeholder group reports are reviewed, and Ofgem publish their price control determination by the end of 2020				
Stakeholder groups (independently chaired)														
Ofgem challenge group														

How listening has helped confirm what our stakeholders want from us

Our 'Listen' phase comprised a wide range of activities and different ways in which we engaged with our stakeholders. Through these activities we have been able to establish a clear picture of the things our stakeholders want most from us – and this in turn has shaped the themes that will form the basis for our ongoing engagement with our stakeholders.

Our listening activities

Workshops and online consultation. Our Listen phase included three stakeholder workshops during July 2017, as well as an online consultation to reach those who were unable to attend our workshops. A total of 46 stakeholders from 33 organisations attended the workshops and we received

670 responses to the online consultation – all of which provided us with a broad representation of our stakeholder groups. We have already begun our programme of workshops for 2018, which will form part of our annual engagement plan.

Independent research. Later in 2017, we commissioned an independent research study covering stakeholder and a targeted group of MPs. We also commissioned further research with more than 2,000 household consumers to understand their priorities.

Surveys and ongoing conversations. We continued our ongoing conversations with customers, as well as our stakeholder and customer satisfaction surveys.



Consumer priorities

To establish consumer priorities, we analysed the data from independent research of a nationally representative sample of over 2,000 adults, combined this with direct feedback from our customers, stakeholders and consumer representatives and a wider review of Ofgem, Government and other policy documents. Our research showed that what we do is instinctively important to consumers and that priorities differ between age groups. We captured these priorities through the three priorities, set out below.

I want an affordable energy bill

Keeping energy affordable for everyone.

I want to use energy as and when I want

Energy underpins today's fast paced society and we need to be ensure it is reliably delivered to where it's needed.

I want a sustainable energy system

Ensuring the electricity network plays its role in facilitating the shift to a low carbon future.

We are committed to further understanding what is important to consumers and will continue to work with our customers and consumer groups to develop a programme of consumer engagement based around these priorities.



Defining our stakeholders' priorities



“The system that we’ve used over the last few decades is not ready and not suitable to embrace this new change in technology that is coming onto our system.”

Overall, we have combined the feedback we’ve received from our research, workshops and consultations, with insight from satisfaction surveys and ongoing conversations with our customers. All this has helped us establish our stakeholders’ priorities, which we’ve set out below, together with a flavour of the comments and views we’ve received.

Provide a reliable network, so that electricity is there whenever it’s needed

Our stakeholders told us reliability of the transmission network, both now and in the future, is crucial for ensuring the required levels of security of supply.

“What they should be responsible for is making sure that we have a transmission level system that is absolutely capable of dealing with all of the changes that are likely to be thrown against it.”

“The system that we’ve used over the last few decades is not ready and not suitable to embrace this new change in technology that is coming onto our system.”

Provide value for money

Stakeholders want us to explore options with them in more detail in relation to the trade-off between cost and reliability. While reliability is seen as crucial, it must be achieved in a way that provides value for money.

“They are not as streamlined as other competitors. They don’t do things as efficiently and as cost-focused.”

“National Grid doesn’t waste money, or operate in a sloppy way. It’s actually more of how it works within the terms of present regulatory arrangements, which may not give you the best value.”

Enable the ongoing transition towards the energy system of the future

Over the next ten years, stakeholders see a greater need for transmission than today, to provide cost-effective security of supply as more diverse sources of energy connect to the system. The longer-term picture is less clear.

“National Grid needs to be quite focused and quite clear about where it sees the future and what role it’s going to play in delivering that future.”

“Be more proactive, use the knowledge in the industry and customers to establish their needs and design a strategy.”

“They tend to talk about relatively short-term issues, whereas they do think about long-term issues.”

“There has been a lot of renewable regeneration which was not expected, so National Grid were somewhat shell-shocked by this and had to adapt. National Grid should have responsive network operations.”

Keep the network safe and protect it against external threats

Our stakeholders want us to make sure we’re doing everything we can to protect the transmission system from deliberate threats, so we can safeguard the resilience of the network.

“Cyber security for the transmission system is a national security issue.”

“Cyber security should be considered alongside physical security.”



Defining our stakeholders' priorities



“They are simultaneously at the cutting edge of technology but they can also be quite old-fashioned.”

Care for communities and the environment

Minimising our greenhouse gas emissions and continuing (or potentially expanding) our work in communities is another important priority for our stakeholders. Members of the public who responded to our consultation were particularly concerned with the visual impact of our assets.

“If they were a supermarket, they would be going out and talking to their end customers, trying to have a really rich conversation about whether they’re doing the right things, whether they’re delivering the right things in the right way.”

Be transparent and easy to work with

This is about how we communicate with our stakeholders, and making sure we provide them with information that’s easy to understand, as well as simplifying the ways we work with them, so it’s easier to do business with us.

“It’s not clear what I’m paying for, how I’m paying for it, and what I’m getting in return. So, it’s not transparent; you don’t know what you’re buying.”

“I would like you to see the world through my eyes. You need to actually see what the reality is of building generation and how difficult it can be, rather than working on assumption in a back office.”

“We want to hear what National Grid can do for us, not what we have to do for you.”

Make it easy to connect to and use the electricity network.

Our customers want a simplified, tailored, flexible and coordinated approach to connections, with flexibility around the location of connections being seen as most important.

“There are a lot of new entrants into the market, and trying to unpick how to engage and how to work with National Grid can be a real problem, unless you’ve got people who have years of experience in the industry. If you’re coming in fresh, then it’s quite complicated.”

“You give no flexibility to move programmes. There is always a set time. There must be a way to compact this. We would like more connections, but we can’t have them because you are inflexible.”

“There’s generally a feeling that connecting to the grid can be quite difficult, quite expensive. It is certainly seen as one of the major contributors to some of the risk in a business case.”

Be innovative

Our stakeholders recognise the importance of harnessing new ways of working and advances in technology if we are to find solutions that adequately balance considerations around energy security, sustainability and costs.

“They are simultaneously at the cutting edge of technology but they can also be quite old-fashioned.”

“I’m not sure that I want the organisation that is responsible for keeping the lights on to take that many chances. It may be that actually you want your network operator and transmission grid owner to be a bit innovative but not too innovative.”

“I hope it realises that its future depends on very fast change or it will hold up the whole programme for the modernisation of Britain’s energy. I would expect it to embrace very, very much more quickly new technology.”

These are now our stakeholder priorities, which we have reviewed with stakeholders and subsequently published through our newsletter and website in March 2018. We’re making sure our business plans reflect these priorities.

Through focusing on these priorities, we will also deliver against the priorities we have established for consumers, based on the things that they told us were most important to them – an affordable energy bill, being able to use energy when they want, and a sustainable energy system.



“I hope it realises that its future depends on very fast change or it will hold up the whole programme for the modernisation of Britain’s energy. I would expect it to embrace very, very much more quickly new technology.”

<p>From our Listen channels...</p> <ul style="list-style-type: none">  Three stakeholder workshops in July 2017 (46 attendees)  An online stakeholder consultation in July/August 2017 (679 responses)  An independent research study covering stakeholders and a targeted group of MPs in late 2017  Over 2,000 members of the public took part in an independent research study to establish their priorities in late 2017  Our ongoing customer conversations including executive level meetings  Our ongoing customer and stakeholder satisfaction surveys 	<p>...we established your priorities...</p> <ul style="list-style-type: none">  Provide a reliable network, so that electricity is there whenever you need it  Provide value for money  Enable the ongoing transition towards the energy system of the future  Keep the network safe and protect it against external threats  Care for communities and the environment  Be transparent and easy to work with  Make it easy to connect to and use the electricity network  Be innovative
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Next steps

We’re now in the ‘Co-create’ phase of our RIIO-2 engagement programme. This is where we make sure we deliver what our stakeholders need from us by talking to them in more detail about what needs to be in our business plans.

We will structure our engagement activities around the topics described in our stakeholder priorities, shown above.

We’re also going to continue working with Citizens Advice and other consumer groups to develop our consumer engagement programme around the consumer priorities we have identified.

Find out more

To help keep our stakeholders more up-to-date with our latest engagement activities, and to make it easier for them to get involved, we’ve set up the ‘Your energy future’ website youenergyfuture.nationalgrid.com. This dedicated site for our business planning process includes details of:

- our overall engagement programme;
- how you can get involved;
- our approach to building our business plans; and
- our performance during the current regulatory period.

For further information please contact gary.stokes@nationalgrid.com

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