

Giving stakeholders a stronger voice – how we have built a stakeholder-led plan

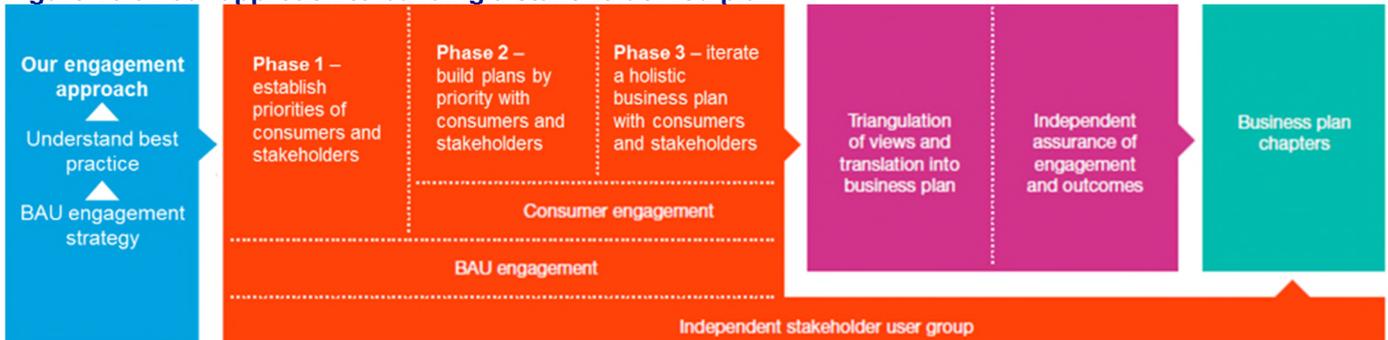
# 10. Giving stakeholders a stronger voice – how we have built a stakeholder-led plan

## We have listened to our stakeholders

Over the last two years, we have carried out our most extensive listening exercise ever to create this stakeholder-led business plan. 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 gathered insight from more of our stakeholders, from more segments, on more topics and through more channels than ever before. We’ve done this by following a best-practice enhanced engagement process and using independent challenge and review to help us continually improve. We’ve engaged more than 100 times, with 800+ individuals. We have engaged domestic and major energy consumers more than ever before, surveying more than 12,000 household bill payers, 750 non-domestic consumers and 68 major energy users. In addition, we have used consumer trend data and other third-party publications as additional sources of insight. We have used this insight to build our plans with those they affect and, by broadening the scope and reach of our engagement, so our plans reflect, and will deliver, what our stakeholders need from us.

We championed enhanced engagement and we are proud to be the first network company to set up an independent stakeholder user group. We have provided more information about our emerging ideas for our business plan than ever before, including a consultation in February 2019 when we played back what we had heard from stakeholders and publishing our draft plan in July 2019. We thank our stakeholders for shaping our thinking, challenging our ideas and helping to develop our business plan. In each of our stakeholder priority chapters, we share what we have heard, and this chapter shows how we have built our business plan with stakeholders as per figure 10.01. Stakeholders expect their views to make a genuine difference to our business

Figure 10.01 our approach to building a stakeholder-led plan



plan and we are committed to making sure they do. This chapter demonstrates how we have taken those views on board and our evidence on meeting **Ofgem’s business plan guidance (BPG) 2.6** for robust and high-quality engagement. We have further information on all the details of our stakeholder engagement in **annex A10.03 our RIIO-2 engagement report**.

## Creating a stakeholder-led business plan

We manage the network on behalf of stakeholders and we recognise more than ever the importance of bringing their voices into our decision-making processes to give our decisions legitimacy. Our stakeholders shown below in figure 10.02, include customers who pay us for our products and services; consumers including domestic, business and industrial users of gas; government and non-government organisations; regulators; consumer groups; interest groups; consultancies; and academics. We continue to expand our engagement as new segments are identified.

Figure 10.02 our stakeholder segments

Customers:	Stakeholders:
<ul style="list-style-type: none"> <li>Gas distribution networks</li> <li>Shippers</li> <li>Entry</li> <li>Exit</li> </ul>	<ul style="list-style-type: none"> <li>Regulators</li> <li>Energy network owners</li> <li>Other non-energy industry</li> <li>Energy industry</li> <li>University/think tanks</li> <li>Industry/trade bodies</li> <li>Environmental interest groups</li> <li>Consultants/supply chain</li> </ul>
Consumers:	
<ul style="list-style-type: none"> <li>Domestic</li> <li>Non domestic</li> <li>Major energy users</li> <li>Consumer representatives</li> </ul>	

In a time of such unprecedented change, we must all work together to make sure our future business plans meet the needs of all stakeholders and have flexibility to adapt to whichever future plays out. This business plan is intended to deliver our services efficiently and effectively while being flexible enough to adapt to the constantly changing environment.

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### Our engagement approach

#### *We follow the AA1000 stakeholder engagement standard*

Our engagement has been based on an outcomes-focused approach, following the AA1000 Stakeholder Engagement Standard (AA1000SES), 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
- **materiality:** engaging on topics and issues that influence our decisions, actions and performance
- **responsiveness:** acting on what stakeholders have told us.

The AA1000 framework fits well 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 insight 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 on an annual basis. In March 2019, National Grid was ranked 4<sup>th</sup> highest out of the 14 energy and utilities companies assessed to this date by research and consulting firm AccountAbility against the AA1000SES. National Grid is among the top 15 per cent of companies reviewed by AccountAbility globally against the AA1000SES since 2012. For more information on our approach and use of AA1000 see annex A10.03.

**Figure 10.03 our engagement approach based on AA1000SES**



#### *Learning from others to develop our 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. 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. We identified key learning from our RIIO-1 stakeholder engagement approach, working closely with Ofgem, Citizens Advice and others with price control experience across sectors, such as PwC, to support in shaping the process that all networks will be following.

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.

#### *Our engagement approach is led from the top*

Our stakeholder-focused approach is supported by leadership at all levels within our organisation, up to and including our CEO. Many senior leaders (including board members) have been personally involved in our engagement activities, including meeting customers and consumers, attending workshops and hosting webinars. Our leadership team have also attended each independent stakeholder user group (SUG) meeting to understand first-hand what they expect us to deliver and they have been joined at some by our non-executive directors. 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 RIIO-2 plans.

#### *Converting insight into plans: our decision-making framework*

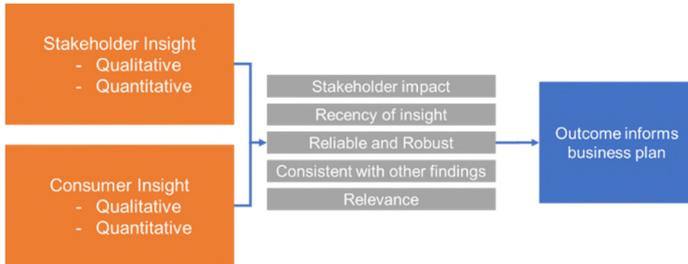
One principle of the AA1000SES is responsiveness, which means we need to act on what stakeholders have told us, and for our RIIO-2 submissions, this means creating plans which genuinely reflect what we've heard. Details of how we've developed our plans from the insight we've obtained can be found in each of our stakeholder priority chapters. In some cases, this was a straightforward process because we were working with a limited number of stakeholders and/or there was consensus 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 on similar projects. We found there is no exact science to triangulating different insights, so we developed a principles-based approach. It is simple, transparent and flexible to adapt to different topics and sources of insight as shown in figure 10.04. It involves looking across all the insight 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

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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.

**Figure 10.04 triangulation decision-making framework**



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 mainly 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). We will assess if further research is required to provide further clarity.

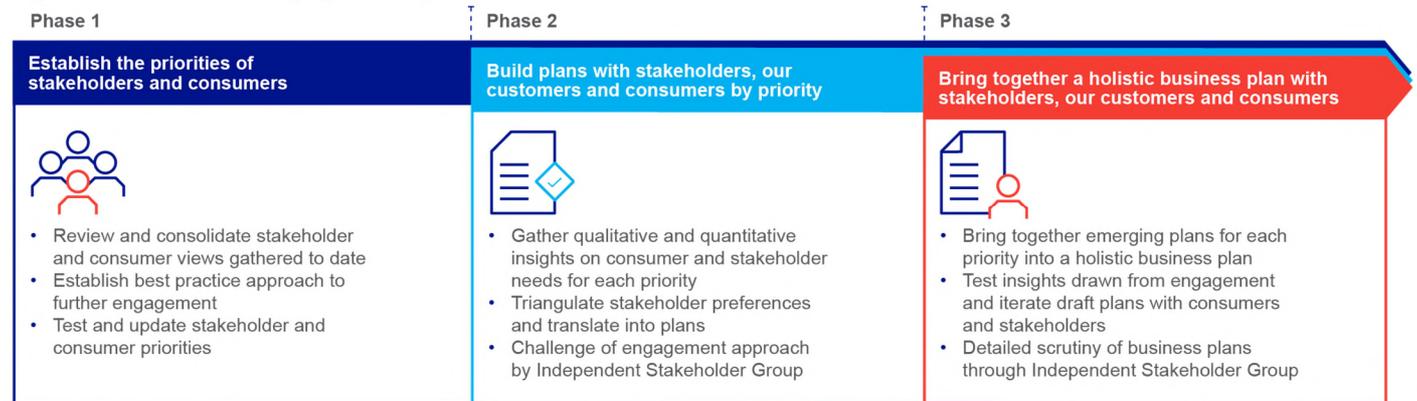
- **relevance:** more weight is given to insight relating directly to the topic in question, than to more general insights.

### How we have built our plan

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 have 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 have tailored our engagement to make sure we are 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 our RIIO-2 engagement, we set out a three-phase enhanced engagement programme as shown in figure 10.05. 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 developed this approach because it fitted well with 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 10.05 RIIO-2 engagement phases**



### Phase 1: establish priorities of consumers and stakeholders

The first phase of our engagement focused on understanding what is important to our stakeholders. We used insight from business-as-usual (BAU) activities to target engagement for RIIO-2 from several channels. These included ongoing conversations during our day-to-day interactions, specific meetings, workshops, webinars and online consultations.

We tested these priorities with stakeholders at a webinar in January 2018 and continuously over the course of

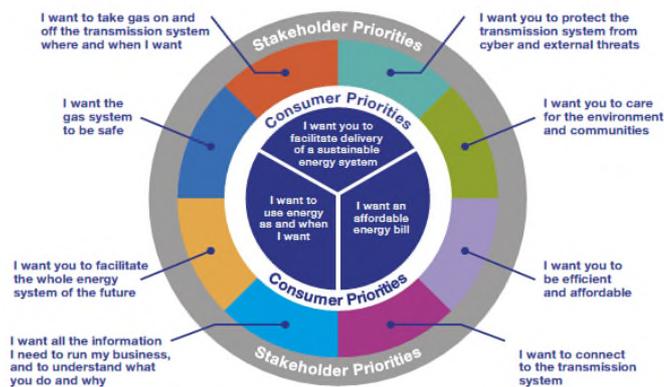
2018-2019 to ensure we reflect evolving stakeholder and consumer needs.

We established eight stakeholder and three consumer priorities around which our plan has been based as shown in figure 10.06. We validated these priorities with our stakeholders throughout phases 2 and 3 of our engagement. We produced our comprehensive 'listen' report<sup>6</sup> to detail everything we heard in this phase.

<sup>6</sup> <https://www.nationalgridgas.com/sites/gas/files/documents/RIIO T2 Listen Report.pdf>

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Figure 10.06 consumer and stakeholder priorities



### Phase 2: build plans by priority with consumers and stakeholders

In the second phase of our engagement programme, we used stakeholder insight 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 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 held events with stakeholders we have never spoken to before; for example, with the British Ceramic Confederation. We also held panel debates on the future of the gas transmission system, and strategic 'Future Needs of the Gas Transmission System' workshops as shown in figure 10.08. Following stakeholder feedback, we reduced the number of polls used during events, ran more webinars and worked with third party specialists to make sure we focused on the issues that matter to stakeholders. We have all the details of our stakeholder engagement in **annex A10.03 our RIIO-2 engagement report**.

### Giving stakeholders options

One important change in the way we have engaged is the development and discussion of options. In the past, stakeholders may have felt we only shared plans when we had already decided the outcome, and not genuinely consulting with those affected. We have changed this to ensure our plans are stakeholder-led and not just focused on what we think we should do. We have developed themes such as 'reliability' and where there is a choice, we've also provided details of costed options (including the impact on consumer bills) to allow stakeholders to make a more informed decision. This is much more detail than we've shared before and helped build on plans on

what stakeholder prioritise. Sometimes, we can't provide options (where we are bound by legislation, for example), and in these cases we've explained our approach and why.

### 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 of our role within it. We therefore worked with 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 worked 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 a representative sample of low-income households.

### Willingness to pay research

In RIIO-ED1 and 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. Beginning in 2018, we and National Grid Electricity Transmission led a piece of work with the other transmission networks, Scottish Power and Scottish and Southern to conduct a willingness to pay study. This is a nationally-representative sample of 1,000 domestic consumers, plus 600 business consumers. The report from this research can be found in annex A20.01.

The study covered risk of supply interruptions, improving the environment around transmission sites, supporting local communities, investing in innovation projects to create future benefits for consumers and supporting consumers in fuel poverty. We sought advice from Citizens Advice, Ofgem and the SUG as we developed the research approach. There was positive willingness to pay for all topics amongst domestic and business consumers.

Where applicable, the results from the willingness to pay study are informing our business plan, but we recognise

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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 exact levels of spend. It is one useful data set that we can triangulate with other consumer data (see below) to help inform our plans. You can read more about the study in chapter 20 and annex A20.01.

**Other consumer research and engagement**

Consumer experts on the SUG 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 third-party’s who specialise in this type of work to develop a plan for research and engagement as shown in figure 10.07. 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. We also carried out a nationally-representative study of domestic consumers, which used an interactive online slider tool as a way of explaining our plans and asking what choices consumers think we should make.

**Considering the needs of future consumers**

We used cultural research and examined consumer trends to understand the needs of future consumers as well as current. We undertook deliberative consumer research to understand views on whether current or future bill payers should pay for investment which supports our work on changing regulatory asset lives and depreciation. You can find all the **consumer engagement in our engagement report annex A10.03.**

**Figure 10.07 consumer research programme**

Priority	Consumer and MP survey	Cultural analysis	Major energy user survey	Willingness to pay	Consumer listening	Interactive slider tool	Deliberative	Acceptability testing
I want the gas system to be safe	✓	✓	✗	✗	✓	✓	✗	✓
I want to take gas on and off the transmission system where and when I want	✓	✗	✓	✓	✓	✓	✗	✓
I want you to protect the transmission system from cyber and external threats	✓	✗	✗	✗	✓	✓	✗	✓
I want you to care for the environment and communities	✓	✓	✗	✓	✓	✓	✗	✓
I want you to facilitate the whole energy system of the future	✓	✗	✓	✓	✓	✓	✓	✓
I want all the information to run my business	✓	✗	✓	✗	✓	✗	✗	✓
I want to connect to the transmission system	✗	✗	✗	✗	✓	✗	✗	✓
I want you to be efficient and affordable	✓	✗	✗	✓	✓	✓	✓	✓

**Figure 10.08 summary of engagement**



**Independent assurance of engagement and outcomes**

We have had independent views on our engagement so there is 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 RIIO-2 period. This multi-layered assurance approach helps to give confidence that we have delivered a truly stakeholder-led business plan.

**The independent stakeholder user group has challenged us**

The independent SUG has been meeting regularly since July 2018 to challenge the quality of our engagement. The group, chaired by Trisha McAuley OBE, 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.

They have been challenging and reviewing how we engage in developing our business plan. For example, are we properly representing the priorities of all our stakeholders? Are we making sure that stakeholders have the right opportunities for their views to be heard and are we being innovative? In doing this, the group is assessing us against its own engagement principles.

The group has been scrutinising our business plan, assessing the outputs we’re committing to deliver and our costs and incentives and how we plan to deal with uncertainty in RIIO-2. They have checked that these

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reflect what stakeholders have told us. They will report to Ofgem on areas of our business plan they agree with, as well as any areas they are concerned about. **For the full set-up of the independent SUG, the governance arrangements it has in place and their engagement principles, please see annex A10.01 to meet Ofgem's BPG 2.6.**

The SUG has raised over 100 challenges and we identified five key themes that cut across the topics discussed: stakeholder engagement strategy, consumer outcomes, topic context, collaboration and benchmarking, and stakeholder segmentation. Following the group's feedback so far:

- We extended our phase two engagement phase to make sure we have enough information to explain fully the options we're presenting.
- We expanded our consumer engagement programme to meet their expectations: they have challenged us to think about different ways of engaging consumers, particularly when it comes to getting into detail on topics that impact them, but that they may not be very familiar with. Consumer experts on the group have given us specific challenges in this area, we worked with third parties who specialise in this type of work to develop a plan for research and engagement. This included more qualitative research including focus groups, consumer listening, cultural analysis and deliberative research to add richness to our conclusions.
- We used 'engagement logs' to provide information to the group. We created these documents to provide a systematic record of our engagement as we went along. They gave the group and the third-party specialists the details of our engagement in one place and allowed them to carry out a thorough assessment of our approach. We have submitted these engagement logs alongside our plan to offer detail for each priority on stakeholder mapping, segmentation and the chosen channels of engagement.
- We also commissioned specialist third party organisations Truth and Frontier Economic to assess our approach and tell us where we needed to do things differently to reach the targets the group has set for our engagement process, which you can read more about next.

### **RIIO-2 Challenge Group**

In addition to the SUG, Ofgem has appointed an independent Challenge Group, which is further scrutinising networks' plans and approaches. The Challenge Group will provide a public report on all network companies' business plans from the perspective of energy consumers. We have been engaging with this group, particularly regarding their expectations of what we should include in our RIIO-2 business plans and have used their challenges on our July and October draft plans for this final plan. One example is the further detail on RIIO-1 performance which was been requested from the Challenge Group and is included in our track record chapter 9.

**We have included in section 3 of each stakeholder priority chapter where stakeholders and specifically the SUG and RIIO-2 Challenge Group feedback has been incorporated into specific areas of our business plan.**

### **Third party assurance**

Ensuring we accurately reflect stakeholders' needs and wants in our RIIO-2 business plan and beyond is fundamental to delivering a plan that is stakeholder-led. For absolute transparency and to give confidence that we have accurately reflected stakeholders' views, we've undertaken robust assurance checks. Partway through our engagement we took a step back to review our findings and plan the next stage. In October 2018, we asked global strategic consultancy Truth Consulting to carry out a thorough audit of our engagement to date, looking at stakeholder coverage, whether the engagement is cognitively valid, and have we made accurate conclusions based on what we heard.

### **Independent triangulation of views**

To ensure that we have interpreted stakeholder insight correctly into our business plan we asked Frontier Economics to provide additional external validation. We first did this during phase 2; for example, for asset health we provided all the engagement collateral and insight to Frontier, so they could draw out outcomes and conclusions on the various options to help us understand which one to carry forward. They evaluated whether our stakeholder representation was robust, analysed responses to various options based on different stakeholder groups and assessed the validity of the engagement. More recently for our October 2019 draft plan, we asked them to triangulate all the additional consumer research we had undertaken and other third-party sources to assess our business plan conclusions. **We have included triangulation of our additional consumer research and other third-party sources in each stakeholder priority chapter in section 3 'what have stakeholders told us?'** For more information, please see **Frontier's report annex A10.04.**

### **Phase 3: iterate a holistic business plan with consumers and stakeholders**

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. The AA1000 standard includes steps to make sure we have accurately captured what we have heard, check this with stakeholders, and then act on it in the right way. In our February 2019 stakeholder playback consultation, we pulled together everything we'd heard on all eight of our stakeholder priorities into one document, setting out our direction of travel based on stakeholder views. Then we consulted on this, to make sure we were on the right lines. 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 based on stakeholder feedback. We also published our business

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plan narrative in July 2019, hosted webinars and bilateral meetings to gain feedback on our proposals. We have published this final business plan to continue this transparency.

### *Examples where stakeholder feedback has directly informed our plan and trade-offs we have made*

**Asset health** – our plans are based on stakeholder feedback and triangulation to ‘maintain current risk level’ which was not our original proposal. This proposal represented stakeholder’s views that there should be no reduction in the levels of service we provide across all key risk categories. This topic has been independently triangulated by Frontier Economics. They concluded:

- Based on the stakeholders polled on the asset health costed options, there is very little support for (A) keeping cost the same as in RIIO-1. Stakeholders do not want to see an increase in risk and are willing to pay more to achieve this.
- Overall, there is marginally more support for (C) increasing reliability by 10 per cent compared to (B) keeping risk the same as RIIO-1. However, the frequency of response is similar across these two options, and the one with more responses recorded varies according to which stakeholder group we focus on. Stakeholders who pay the bills slightly preferred option B.

We traded off the higher supported option C and our original choice, for option B which was supported more by stakeholders who paid the bills. At this time, **option B was 40 per cent cheaper**, than option C.

**Bacton** – this was an example of a specific regional issue which we tailored our engagement to specific stakeholders in the Bacton area including North Norfolk Council. We developed five options based on what we had heard stakeholders needed and presented them back to gain feedback. Stakeholders chose to redevelop the terminal, sized to our understanding of future requirements but allowing for potential future changes. We tested the output of our targeted engagement during a webinar and 67 per cent of stakeholders supported our proposal.

**Pay now vs pay later** – we carried out deliberative research on the challenging topic of whether current or future consumers should pay in relation to changes to asset lives and depreciation. We traded off the domestic consumer view that fairness should be the main reasons not to pass on costs to future consumers. Major energy users expressed concerns about any reduction in the depreciation period which may mean their costs go up in the near term.

**Whole system** – in July 2019 stakeholders told us we hadn’t been clear enough about our role in the transition to a whole energy system. We undertook additional engagement to understand stakeholder views on areas we should lead on and areas we should support and collaborate on. Now we have engaged with stakeholders and clarified what we will lead on and agreed this with them. These have been incorporated into our final business plan.

We have included **trade-offs in each stakeholder priority chapter in section 3 ‘what have stakeholders told us?’**

### *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. 1,270 household consumers and a further 163 business consumers participated in the acceptability testing across the three stages of research. To get as clear a picture as possible, we used more than one methodology. Our approach included:

- Stage 1 qualitative research: to probe consumers’ understanding of National Grid and their overall views on the July 2019 draft plan. Findings also informed the design of the quantitative research material, to help ensure it gave the right level of information to consumers to provide informed views on the acceptability of our proposals.
- Stage 2 quantitative research: design, implementation and analysis of nationally representative surveys of household and business consumers. Survey respondents were directly asked whether they found the overall plan and bill impact acceptable, and whether they supported each of the component investments and associated bill impacts.
- Stage 3 qualitative research: to test and validate the survey findings, with emphasis on understanding the factors and motivations of consumers when considering the acceptability of our proposals, including aspects such as the value for money of overall energy bills.

The main findings from the research show that there is a high level of support for our proposals, 88 per cent of domestic and 82 per cent of non-domestic consumers find the average impact of our RIIO-2 plan acceptable. More details on can be found in chapter 20 and annex A20.02.

### *Our enduring stakeholder engagement strategy*

In the fast-changing landscape, we must ensure we continue to **focus on the needs of our customers and stakeholders today and in the future**. We must ensure we continue to **listen and act on their views** to deliver benefit to them on a day-to-day basis. It is going to be even more critical for us to put our stakeholder views at the centre of our business plans going forward. **We cannot achieve our ambition without working with our stakeholders.**

### *We build on the best practice methods learned in RIIO-1 and others*

Building on learning and best practice from RIIO-1, our stakeholder ambition during RIIO-2 is therefore:

- We want to **learn** from our stakeholders, we will 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 be considered in decision-making processes.
- We will **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.

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- 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.

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. Ofgem has also set out its expectations for networks' enduring approach to stakeholder engagement in their **BPG 2.8**. Further details can be found in our RIIO-2 engagement strategy in annex **A10.02**.

Our business plan is our most stakeholder, customer and consumer focused to date, so we want to build on this in the RIIO-2 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 our plans and not only when there is a regulatory need to do so. We started our

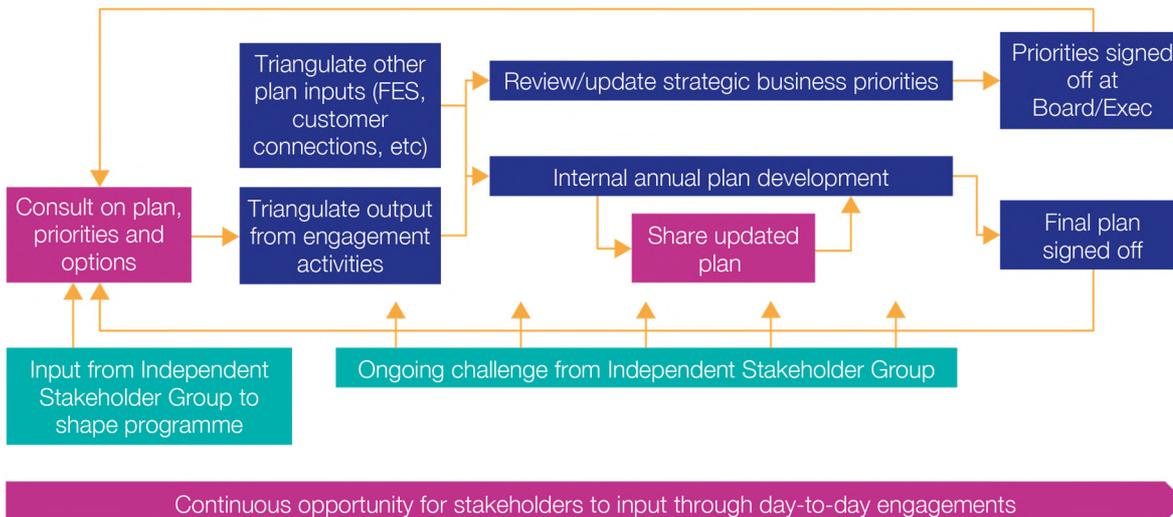
thinking on how we would create this enduring stakeholder-led business planning process in early 2017, and we expect to adopt our improved process for the first time during our 2020/21 planning cycle (during the RIIO-1 period), producing our first stakeholder-led business plan update under this process 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 insight, 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.

Our proposed ongoing business planning process for the RIIO-2 period, and how stakeholder insight feeds into it, is shown below:

**Figure 10.09 our annual stakeholder-led business plan update process**



**Key:**

Stakeholder facing activity	Internal National Grid activity	Independent Stakeholder Group activity
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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 then be updated and approved through our internal governance process.
- We will also use the 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.

## Giving stakeholders a stronger voice – how we have built a stakeholder-led plan

Based on what we've heard from our stakeholders, the SUG and Ofgem, we will adopt the following approach for our ongoing engagement programme:

### ***We will be strategic, proportionate and inclusive***

We will deliver our stakeholder engagement strategy, as set out in annex A10.02, and we will review and update this strategy on an annual basis. We will use stakeholder insight to shape our business at a **strategic** level, and in our **tactical**, day-to-day activities.

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 are inclusive by having 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 take note of different **geographic** regions where applicable, similar to the engagement undertaken at Bacton where there are specific stakeholders who are affected in this region.

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 partners to identify opportunities for joint engagement and reduce the risk of stakeholder fatigue.

We will ensure we include the views of **current and future customers and consumers**. Consumer engagement will continue to be nationally representative. We use a range of channels and methodologies to engage consumers and will further develop our consumer engagement programme in the RIIO-2 period, including:

- 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.
- Use 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 consumer 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
- current and future consumers.

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 be responsive to stakeholders' up-to-date needs and ensure that these are incorporated across our business***

We will carry out an annual review of the stakeholder and industry landscape to ensure our business planning process accurately reflects their changing needs as shown in figure 10.09. We will undertake both strategic and tactical engagement focused on what's important to our stakeholders while also continuing to improve our approach. We are making stakeholder insights a more prominent part of our governance and decision-making processes. This will include our senior leadership team reviewing the latest stakeholder insight at their leadership meetings and making decisions on the back of it.

At a more tactical, operational level, we will further embed the AA1000 standard across our organisation and 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 RIIO-2 submissions. We will continue to use peer reviews against the AA1000 standard to monitor how well we are embedding this process, and the SUG will provide further challenge and assessment (see below).

Our annual process, shown above in figure 10.09, 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. We propose to continue using the same decision-making principles and approach we have used to build this plan to help convert insight into plans throughout the RIIO-2 period.

### ***We will set ambitious and stretching commitments and report our progress against these transparently to ensure we deliver outcomes that network users and society value at a price they are willing to pay***

Measuring the impact of our engagement is a fundamental part of our strategy. Our proposal for the RIIO-2 period is for the independent SUG to set ambitious targets, against which they would hold us to account. We see measurement falling into three categories:

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- stakeholder insight metrics (e.g. materiality analysis and segmentation statistics),
- operational engagement metrics (e.g. number of stakeholders engaged, appropriate representation and stakeholder satisfaction), and,
- impact and outcome metrics (e.g. plan/decisions changed, £ saved for consumers).

Ultimately, the enduring SUG would determine these metrics, including incorporating their engagement principles as described in annex A10.01, 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 also continue to work with others on how we can best measure the non-financial impact of our actions. 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 RIIO-2 and further into the future.

### ***Our engagement strategy has senior level buy-in***

Our board have signed on to our RIIO-2 engagement strategy through a stakeholder charter which commits the board to:

- the ambition and approach of our RIIO-2 stakeholder engagement strategy
- approving 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
- assure across our business, at all levels, we continue to build and further embed stakeholder engagement.

### **We propose to retain an independent stakeholder user group to hold us to account**

One of the best ways of ensuring we go beyond expectations is for an independent group to hold us to account, just as they have done in our RIIO-2 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 RIIO-3. The group would hold us to account 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 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. They will shape our engagement based on learning they have acquired from other sectors and organisations. Our UK Executive Director will regularly attend the group, and

there would be ongoing board member attendance at every meeting.

An effective SUG would be an important part of our broader stakeholder engagement programme; increasing confidence across the RIIO-2 price control, improving transparency and decision-making. These factors play a critical role in ensuring that gas transmission delivers its commitments within the RIIO-2 price control for benefits for consumers and wider stakeholders. You can also find more information in our **annex A10.01**.

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 business to deliver this work on a day-to-day basis. Our costs to deliver enhanced engagement across the RIIO-2 period are £850k per year. This covers the salary costs of a small 'central' team, the costs associated with running the enduring SUG, 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.

### **Bespoke incentives – stakeholder reputational ODIs to drive performance**

We propose two reputational stakeholder ODIs to complement the existing customer satisfaction ODI.

**Stakeholder experience reputational ODI** - we propose to continue tracking satisfaction of how we have met the needs of stakeholders, through all relevant core touchpoints.

**Proposed new quality of community engagement reputational ODI** - based on learnings from stakeholder feedback and observation during RIIO-1, this is about how we minimise our physical impact in the community. Specifically, the quality of engagement with local residents, businesses, communities and their representatives, before, during and post-construction. We held a webinar on reputational stakeholder incentives, 75 per cent agreed with the stakeholder experience ODI with 25 per cent of respondents unsure, and 56 per cent agreed with community reputational ODI with 44 per cent unsure. For more information see **annex A3.03**.

## Giving stakeholders a stronger voice – how we have built a stakeholder-led plan

### Our consumer value proposition

Our plan provides significant value to consumers; delivering a safe, reliable and resilient network for homes, businesses and communities both today and into the future, and playing our part in decarbonising GB's energy system. The consumer value proposition (CVP) focuses on those parts of our plan (these could be commitments, outputs or incentives) that go beyond minimum requirements and beyond the functions typically undertaken by an energy network company as business as usual. We welcome the CVP because it helps show the enhanced value our plan provides for consumers. It fits

well with our increased emphasis on engagement and openness in our RIIO-2 business plan.

Ofgem has asked that we attempt to monetise our CVP. For some areas of our business plan it can be difficult to monetise our CVP, even if it is clear they do provide benefits for consumers. As such we include within our CVP only those items which we have a robust methodology for, and reference to CVP items for which we can provide an estimate of the magnitude of benefits. An independent specialist consultancy has reviewed our business plan for items which could be considered as CVP and provided the values for those we can monetise. These are summarised in the table below.

**Table 10.10 our monetised consumer value propositions**

Chapter	CVP reference	CVP item	Monetised value
14. Gas on and off	CVP1	<b>Resilience solution at Blackrod</b> By engaging closely with Cadent (the GDN connected at Blackrod) we found a cost-effective solution to address the risk of supply interruptions. This work established that solutions on the transmission system were significantly cheaper than solutions on the Cadent network.	£173m
15. Cyber and external threats	CVP2	<b>Security innovation application</b> In a counterfactual scenario, we would increase cyber resilience by employing a third-party solution to upgrade the control systems. We are going beyond this scenario by implementing innovative solutions to ensure that better resilience can be achieved at lower cost. The rollout of the SCADA innovation therefore delivers significant cost savings to consumers. The SCADA upgrade was developed in RIIO-1 and rolling it out in RIIO-2 involves continuing to go beyond the counterfactual business as usual approach of using a third-party solution.	£9.2m
16. Environment and communities	CVP3	<b>Business carbon footprint reduction – construction</b> We have gone beyond by engaging extensively with stakeholders on environmental issues, finding that stakeholders want us to set ambitious goals for reducing our carbon footprint, and want us to engage more with our supply chain on environmental matters, and responding to these messages by committing to reduce carbon from many different sources across our business.	£0.3m
16. Environment and communities	CVP4	<b>Natural environment improvements</b> We have been working towards measuring the natural capital and biodiversity value of our non-operational land and have set a target to improve this by 10 per cent over RIIO-2. This will bring benefits to both the natural environment and to communities that can use this land. Because these types of natural capital improvements are relatively low-cost, the consumer benefits far outweigh the costs.	£1.75m
16. Environment and communities	CVP5	<b>Community initiatives</b> We are going beyond minimum requirements by committing to spend on community initiatives. We are not requesting additional funding to cover this spending. By committing this money to local community initiatives, particularly those that are led by consumers, NGGT is ensuring that communities' benefit, and that money is allocated to areas valued by consumers.	£0.6m
<b>Total monetised value</b>			<b>£184.7m</b>

We have engaged with Citizens Advice, Major Energy Users' Council and the independent stakeholder user group on our monetised CVPs. We provide more detail about our CVP in annex A10.05.