



AccountAbility

Setting the Standard for Sustainability

UK Power Network's 2020/21 Combined SECV and ICE Management Summary

PREPARED FOR

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DATE

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ENGAGEMENT SUMMARY

AccountAbility was engaged by UK Power Networks (UKPN) to provide independent assessment related to the organisation's 2020/21 Incentive on Connections Engagement (ICE) and Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive submissions to Ofgem and stakeholder engagement policies, systems, controls, procedures, and performance. This summary presents our opinion as an independent assessor.

SCOPE OF THE ENGAGEMENT

UKPN's 2020/21 SECV Submission (Part 1, Part 2 & Part 3), UKPN's 2020/21 ICE Workplan, as well as a review of UKPN stakeholder engagement policies, systems, controls, procedures, and performance. This review was conducted in accordance with the AA1000 AccountAbility Principles (2018) and with reference to the AA1000 Stakeholder Engagement Standard, 2015 (AA1000SES), as well as the Ofgem Electricity Distribution ICE and SECV Incentive Guidance.

INTENDED USERS

The intended users of this management report are the management and stakeholders of UKPN.

OUR RESPONSIBILITY

Our responsibility is to assess UKPN's stakeholder engagement strategy, processes, and systems and to form conclusions based on the analysis.

UKPN RESPONSIBILITY

UKPN is responsible for preparing the 2020/21 ICE and SECV Incentive Submissions, as well as the related tasks and activities including the collection, analysis and presentation of data and information contained in the submissions.

OUR APPROACH

We have performed the following procedures to draw conclusion for our reports:

- ▶ Enquiring, collecting and inspecting documentary evidence and management representations that support adherence of company activities to the 2020/21 ICE and SECV Incentives submissions and the AccountAbility Principles of Inclusivity, Materiality, Responsiveness, and Impact;
- ▶ Reviewing the content and presentation of information relevant to the scope of our work in diverse company Stakeholder Engagement Reports and on the company website to ensure consistency with our observations;
- ▶ Interviews with management and relevant staff to understand UKPN's stakeholder engagement strategy, governance, senior level commitment and associated policies and internal systems, controls and procedures; and
- ▶ Interviews with management and relevant staff to review the planning and preparation of the organisation's 2020/21 ICE and SECV Incentive submissions.

ADHERENCE TO THE AA1000 PRINCIPLES

Overall, UKPN has demonstrated strengths against all four AA1000 AccountAbility Principles (2018) of *Inclusivity, Materiality, Responsiveness, and Impact* in relation to its stakeholder engagement practices and in the development of its 2020/21 ICE and SECV Incentive submissions.

INCLUSIVITY: *How UKPN engages with stakeholders and enables its participation in identifying material issues and developing solutions to them.*

MATERIALITY: *How UKPN identifies and prioritises issues that are relevant and significant to its stakeholders.*

RESPONSIVENESS: *How the organisation responds to material stakeholder issues and feedback through decisions, actions, performance and communication.*

IMPACT: *How UKPN acknowledges, understands, measures, manages, and evaluates the organisation's actual and likely impacts.*

KEY STENGTHS

INCLUSIVITY

- ▶ UKPN's Stakeholder Engagement strategy is aligned to the AccountAbility Stakeholder Engagement Standard (AA1000SES, 2015). The strategy has been refreshed to include a "Deliver improvements" phase, which aims to ensure that benefits are delivered to customers throughout the project lifecycle and in line with best practice.
- ▶ UKPN has enhanced its approach to stakeholder mapping and segmentation. The organisation is partnering with market research agencies to identify more hard-to-reach domestic customers and is mapping out the organisation's supply chain and customer journey to identify potential gaps. As a result of these efforts, UKPN is engaging on new topics with new stakeholder groups, such as supporting SME's to transition to EVs through the White Van Plan initiative.

- ▶ The embeddedness of the stakeholder engagement strategy is reflected in the agility and flexibility UKPN has demonstrated in developing a holistic response to Covid-19 restrictions. The organisation was able to quickly respond to changing needs of internal and external stakeholders alike, leveraging collaborations with consumers, industry, and partners to understand, assess, and implement changes that are needed.
- ▶ Stakeholder engagement is a core component of UKPN's strategic decision-making process. Initiatives for the ICE Workplan, RIIO-ED2 business plan, and Consumer Vulnerability strategy are developed, designed, and prioritised in line with stakeholder feedback. Stakeholder Councils have been implemented to challenge RIIO-ED2 initiatives and ensure they include stakeholders' best interests. There is a robust governance structure for stakeholder engagement decision making, including involvement from senior and executive level management. Employees across governance levels have stakeholder engagements as part of their personal objectives, encouraging accountability and responsibility across the organisation.
- ▶ UKPN has a range of resources and tools for stakeholder engagement and regularly refreshes these in line with customer needs. UKPN's updated Stakeholder Engagement Strategy includes new departmental stakeholder maps, impact measurement tools, and an engagement planning tool based on the AA1000SES (2015). Tractivity is also being rolled out to improve how stakeholder engagement information is stored and analysed. Lastly, UKPN also provides the necessary resources and trainings to ensure all staff are equipped to plan and run successful engagements.

MATERIALITY

- ▶ The materiality determination process considers a range of internal and external stakeholder inputs and is consistent across ICE and SECV engagements. UKPN has implemented digital tools such as Retro, Mural, SLIDO, and surveys to replace the in-person engagements where external stakeholders would voice their priorities.

Monthly team briefs encourage staff to use UKPN's stakeholder engagement vision as a guide for decision making, ensuring that the boundaries and scope of materiality determination remain consistent across the organisation. UKPN also leverages partnerships and cross-industry best practice to inform its materiality determination process. The use of Customer Scrutiny Panels and Stakeholder Councils to challenge initiatives ensures there is a balanced approach to prioritising material topics.

- ▶ UKPN has made notable improvements in terms of considering the wider and evolving contexts in which it operates, leaving the organisation better prepared to respond to potential future risks. For example, UKPN has identified data analytics as increasingly relevant to the organisation's strategic future and has invited an expert to join the CEO Panel. UKPN also commissions market research to ensure they remain aligned with changing customer needs and sentiments.

RESPONSIVENESS

- ▶ UKPN has an embedded an ongoing process for responding to material issues raised by stakeholders, as demonstrated by the ICE Quarterly updates which are also published online. UKPN also responds to feedback raised at individual engagements in an ongoing fashion, as reflected by the "You Said We Did" update that was presented for the Widening Market Participation in Flexibility webinar. The organisation is transparent about feedback it has chosen to carry forward into an action plan and is consistent in going back to stakeholders to explain why a particular point of feedback will not be addressed in meetings or on a one-to-one basis. Stakeholder feedback suggests that UKPN successfully responds in a way that meets stakeholder needs and expectations, with one comment from the Flexibility Forum stating: "A great update on progress".
- ▶ There is a range of tools for collecting and responding to stakeholder feedback, allowing individual teams to follow a tailored response approach. Some communication channels used by UKPN include stakeholder newsletters, customer portals, and emails. UKPN has been quick to adapt its response approach for online

engagements. For example, the Highway Assets Team has started to publish Q&A's from its Customer Forums online, something which did not happen previously.

- ▶ UKPN validates proposed responses with internal and external stakeholders, including partnerships, where appropriate. For example, the Scrutiny Panels will help shape the response strategy to ideas posted on Retro, whereas Customer Panels will advise on conflicting customer feedback. Partnerships can help ensure that UKPN's response is effectively tailored to a specific customer group. For example, the Safety, Health and Environment group leveraged UKPN's partnership with British Sugar to formulate a response to UK farmers regarding safe distances from power lines.

IMPACT

- ▶ Individual teams leverage different tools to measure the impact of engagements. A notable improvement from the past year is the introduction of natural language processing (AI), which is used to process large amounts of qualitative data like Rant and Rave feedback.
- ▶ UKPN measures the impact of initiatives using a set of tools which has been expanded over the past year in response to feedback from Ofgem and stakeholders, enabling a tailored approach to impact measurement. UKPN is committed to measuring as many initiatives as possible against its impact measurement tools and prioritising initiatives based on their overall value.
- ▶ UKPN has acknowledged the limitations of WTP and has commissioned industry research to inform social impact measurement such as real benefits measurement, Social Value Bank outputs, CBA, calculating bill impacts, qualitative vulnerability, and inclusion assessments. Using these tools, UKPN triangulates its approach to impact measurement. Triangulation allows UKPN to identify potential impacts on stakeholders, such as well-being benefits, and on wider society, such as NHS savings enabled by UKPN's proactive response to working from home. This process and its

outputs, including quantitative, qualitative, and monetised data, are outlined in the Stakeholder Engagement Strategy document and SECV submissions, reflecting a transparent and robust documentation process.

OBSERVATIONS AND RECOMMENDATIONS

INCLUSIVITY

- ▶ Integrating stakeholder engagement across the organisation, particularly in operational roles, remains a challenge. The analysis has highlighted that this may lead to potential engagement risks if it prevents certain business areas from being agile and quick to respond to customer needs. To prevent this, UKPN should work to foster common levels of understanding and interest in stakeholder engagement. This could be achieved by implementing formalised processes for checking-in with employees on stakeholder engagement, providing opportunities for reflection and co-creation, and ensuring that a diversity of employees, including from technical business areas, attend customer forums and webinars to learn about customer needs.
- ▶ Not all teams have access to a central tool for collecting stakeholder information. Currently, relevant information is shared between teams on a per-engagement basis. For example, if there is a power cut in a vulnerable area, vulnerable customer information will be shared with the engineers attending. Another example is James Watson, Communications and Engagement Lead, who will regularly contact the Connections team to ask about future mail outs that he can add to. A shared database, such as Tractivity, would help UKPN maximise existing stakeholder relationships. While funding is acquired to fully roll out Tractivity, an adequate substitute should be implemented in teams without access to it.
- ▶ As UKPN decides how to roll out Tractivity it should consider the business areas it may add most value to. The analysis identified that Tractivity could be particularly valuable for developing new metrics and capturing trends more dynamically. Other DNOs have also identified

Tractivity as a valuable tool for knowledge sharing. However, UKPN should explore and leverage other existing tools for further knowledge sharing, such as continuing to use Yammer, intranet sites, and online hubs to share best practices. Some DNOs also host meetings for knowledge sharing, including weekly team calls with directors and monthly calls with all business directors. An important component of knowledge sharing is to ensure these are embedded and formalised across the organisation.

MATERIALITY

- ▶ UKPN has demonstrated commitment to learning from industry best practice. It is important that UKPN implements formalised tools and processes so these outputs can be shared across the business, enabling a more consistent understanding of stakeholder engagement best practice.
- ▶ UKPN should leverage its new stakeholder engagement planning tool to improve the comparability and consistency of stakeholder feedback collected across different business areas. This would ensure that topics are evaluated and prioritised objectively, in turn making the materiality determination process more robust.
- ▶ Inviting an AI and data analytics expert into the CEO panel reflects UKPN's proactive approach to keeping up with industry trends. UKPN must carefully balance the need to go digital with the privacy and ethical risks associated with AI, particularly as the organisation plans to include a social contract within its RIIO-ED2 business plan.
- ▶ Several business areas are finding it challenging to design new initiatives for certain market segments that already demonstrate high levels of satisfaction with UKPN's services, such as metered or Highway Assets customers. This may be a risk if UKPN is perceived as reactive rather than proactive in its engagement with these customer groups. As Ofgem phases out SECV and transitions from an annual to a longer ICE cycle, UKPN will have more flexibility in planning stakeholder

engagement initiatives, particularly those with a more long-term vision. Business areas that currently feel restricted in the annual ICE/SECV cycle should explore how this change may create opportunities for new initiatives.

RESPONSIVENESS

- ▶ In line with stakeholder feedback and the long-term outlook of RIIO-ED2, UKPN has decided to focus on quality over quantity of initiatives. This approach could bring efficiencies by cutting out unnecessary engagements and help to reduce stakeholder fatigue. UKPN should ensure that internal tools and processes can support this commitment. For example, Tractivity should be used to identify unnecessary engagements or opportunities to combine engagements. Where it is not possible to roll out Tractivity to all teams, other tools, such as a shared CRM, should substitute it. Furthermore, as UKPN reduces the quantity of initiatives, engagement owners may change. Other organisations leverage central databases to give all employees visibility into the organisation's stakeholders and create "checklists" as part of the engagement planning. These checklists are based on employees' knowledge and previous experience with a specific stakeholder and are used to perform a sense check of the stakeholder's needs.
- ▶ An identified challenge is developing a response strategy that is embedded across relevant business areas. This may raise create engagement risks where UKPN is unable to provide the necessary response to a stakeholder. This concern was raised by DER Services Team, which has identified that one-off transactional customers may become "hard to reach" if their needs require a more agile response strategy than the team can currently provide. While the DER Services Team has the tools and processes to be agile, other teams involved in the response strategy are unable to move as fast as the market. UKPN should implement efforts to ensure a cohesive and agile response strategy that meets the needs of all stakeholders.
- ▶ As future policy landscapes remain uncertain,

UKPN will need to decide on its role when it comes to providing information to its customers. For example, UKPN will need to decide its role in communicating how the transition to Net Zero will impact customer bills. The analysis identified that some internal stakeholders believe UKPN should take a technology-agnostic approach and facilitate whatever the customer considers to be a solution. Others believe that UKPN's responsibility is to provide accurate information because customers are basing their decisions on it. As UKPN deliberates its stance on these issues, another important consideration is ensuring a coherent and consistent understanding across internal stakeholders.

IMPACT

- ▶ UKPN should leverage the new stakeholder engagement planning tool to systematically build impact measurement into engagement planning. Although the tool has been designed against the AA1000SES (2015) it could be more closely aligned with the "Monitor and evaluate the engagement" section of the standard by including a section to document impact metrics. This would enable more consistent impact measurement across business areas, which would in turn make other processes such as materiality determination and reporting more robust. This is particularly important as impact measurement is not consistent across teams.
- ▶ Tractivity should also be leveraged to gain a more dynamic and real-time understanding of the impact of day-to-day engagements. This would provide new opportunities for trends analysis and enable UKPN to respond to issues before they become significant.
- ▶ UKPN should encourage teams to set strategic targets to evaluate the impact of engagements. Some teams, such as the Safety, Health, and Environment team work against monthly targets based on a broken-down annual target of total engagements. More impact-oriented targets would allow teams to gather more informative feedback to feed into the impact measurement process.

- ▶ The externalities that are being measured should feed into a pool of indicators that should be applied to all initiatives going forward.
- ▶ While UKPN discloses the process and outputs of its impact measurement process, it should also disclose any limitations to this process. For example, UKPN should disclose the limitations identified in using the SVB tool and be transparent about when it decides that it is not possible or credible to quantify the social benefits of an initiative.

OUR CONCLUSIONS

Based on the assessment performed and evidence obtained, nothing has come to our attention that causes us to believe that UKPN has not, for the Ofgem regulatory year 2020/21, adhered to the AA1000 Principles of Inclusivity, Materiality, Responsiveness, and Impact. UKPN has:

- Performed stakeholder engagement activities to adhere to the AA1000 AccountAbility Principles (2018);
- Developed engagement policies, systems, controls, and procedures to adhere to the AA1000 AccountAbility Principles (2018); and,
- Published accurate data and information in the 2020/21 ICE and SECV Incentive submissions.

INCLUSIVITY

UKPN has processes, policies and governance structures in place to ensure that relevant stakeholders can effectively participate in activities relating to its 2020/21 Stakeholder Engagement and Consumer Vulnerability Incentive submissions.

MATERIALITY

UKPN has procedures in place to determine the relevance and significance of issues for stakeholders, with the development of a Materiality Test to provide high-level guidance for internal decision-makers.

RESPONSIVENESS

UKPN develops appropriate responses to stakeholder concerns, utilising resources to respond in a way that addresses the needs of stakeholders. UKPN communicates outputs, actions, and progress to stakeholders through a variety of communication channels.

IMPACT

UKPN has developed a robust and triangulated approach to impact measurement, allowing the organisation to prioritise initiatives based on their overall real and potential impacts to stakeholders and wider society.

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