Stakeholder Engagement Strategy under DPCR5 and the RIIO-ED1 framework
Stakeholder Engagement Strategy

Contents
1. Executive Summary ................................................................. 3
2. Introduction .............................................................................. 10
   2.1 Scope of this document ...................................................... 10
   2.2 Structure of the document .................................................. 11
3. Policy and Regulatory Context .................................................. 12
   3.1 Trends in policy focus .......................................................... 12
   3.2 Impact of the RIIO framework .............................................. 12
4. Lessons from past engagement .................................................. 15
   4.1 Leading by example: Ofgem’s engagement ......................... 15
   4.2 Past UKPN stakeholder engagement ..................................... 17
   4.3 Approach to engagement by other DNOs .............................. 19
5. Objectives of engagement ......................................................... 19
   5.1 The objective of ongoing engagement .................................... 20
   5.2 Principles for engagement ................................................... 20
   5.3 Elements of an effective engagement strategy ...................... 20
6. Preparing for engagement ........................................................ 23
   6.1 Identifying relevant UKPN stakeholders .............................. 23
   6.2 Identify issues of importance to stakeholders ....................... 24
   6.3 Provision of targeted information ......................................... 27
7. Engaging with stakeholders ....................................................... 28
   7.1 Understanding existing engagement ..................................... 28
   7.2 Planning future engagement ................................................. 29
   7.3 Making use of events held by representative groups ............. 38
8. Recording, assessment and response ......................................... 40
   8.1 Context .............................................................................. 40
   8.2 Effective recording of engagement ....................................... 40
   8.3 Effective assessment of views expressed .............................. 41
   8.4 Provision of feedback to stakeholders .................................. 41
   8.5 Supporting recording, assessment and response ................... 41
9. Ongoing evaluation ................................................................... 43
   9.1 Indicators for evaluation ...................................................... 43
10. Way Forward ............................................................................ 46
    10.1 Proposed timetable ............................................................ 46
    10.2 Taking engagement forward ................................................. 48
Appendix 1: Further information on domestic and international best practice examples of engagement .......... 49
Other models of engagement ....................................................... 50
1. Executive Summary

In line with its vision of being a Respected Corporate Citizen, UKPN attributes significance and value to stakeholder engagement. It uses a variety of engagement methods to identify and discuss issues that are of interest or concern to its numerous and diverse stakeholder groups, and it uses that feedback as an input to inform business development decisions.

UKPN has a robust Stakeholder Engagement Strategy in place that is regularly reviewed and updated. This strategy ensures UKPN is aligned with the principles of AA1000 International Standard and is in compliance with all elements of the RIIO-ED1 framework as stipulated by Ofgem.

UKPN’s Stakeholder Engagement Strategy is supported by UKPN’s Stakeholder Engagement policy and procedures as well as action plans and systems. It is driven by UKPN’s Stakeholder Engagement team with support from other directorates.

Other relevant documents include:

- Action reports from Critical Friends Panels
- Stakeholder Engagement, Our Commitment to You, 2013 (published); 2014 (forthcoming)

These reports are found on our website.

Delivering against the objective of engagement

Ofgem has set out that through their engagement processes network companies must demonstrate they have not only engaged with their stakeholders but that they have 'listened' by responding to views raised.

The aim or desired outcome from UKPN’s stakeholder engagement is to ‘continuously develop arrangements that will provide meaningful opportunities to a range of UKPN stakeholders to influence the direction of UKPN thinking on network development and business operation on an ongoing basis’.

UKPN has identified and demonstrated the best way to achieve this objective in its Business Plan 2015-23. UKPN’s stakeholder engagement strategy includes the following steps.

- **Prepare for engagement**: Identify the full range of stakeholders with whom it should seek to engage, the issues appropriate to engage them on and an understanding of the support stakeholders need to allow them to effectively participate;
Stakeholder Engagement Strategy

- **Engage with stakeholders:** It must consider the format that engagement should take and whether different methods should be used to facilitate participation from different groups.

- **Record, assess and respond:** To secure the full value of engagement, UKPN must effectively record views expressed, assess the options available to address issues raised and ensure transparency about the impact that the engagement has had; where engagement does not impact our plans, UKPN should present clear reasoning for this.

To continually evaluate the effectiveness of its stakeholder engagement strategy, UKPN has developed a set of criteria and Key Performance Indicators for each of its key projects and initiatives against which its performance can be assessed. On the basis of this evaluation, UKPN adapts its approach over time to ensure that its strategy remains applicable and projects cost efficient.

**Becoming a sector leader in stakeholder engagement**

There are two distinct elements of UKPN's strategy for stakeholder engagement. The first relates to the development of the RIIO business plan and is focused on establishing a range of scenarios and output measures on which the strategy will be based. The second requires UKPN to demonstrate regular ongoing engagement focused on key topics of interest to stakeholders. There are clear interactions between these elements of the stakeholder engagement plan detailed within this strategy which will be supported by both new and business as usual engagement approaches. This strategy document covers all elements of UKPN’s stakeholder engagement activities.

As outlined above, there are three important elements that UKPN will need to consider in planning its approach to ongoing stakeholder engagement. The proposed approach to each of these steps is set out in the following sections. Ofgem has set out a number of principles for engagement and, in further developing its strategy for engagement, UKPN must have regard to these. These require: inclusiveness; transparency; accountability; the provision of targeted information; views to be taken seriously; demonstration of the impact of views expressed; and evaluation of engagement.
UKPN must address its broad stakeholder community
UKPN has a wide range of stakeholders. In our Stakeholder Engagement Policy, UK Power Networks identifies a stakeholder as “any individual, group of individuals or organisation that affects, or could be affected by, UK Power Networks’ activities, services or associated performance.”

Figure 1 provides an illustration of our main stakeholder groups.

Figure 1: Overview of UKPN stakeholders
UKPN employees are a critical stakeholder group whose views must be taken into account and acted on. This document, however, does not include employee engagement as other directorates, such as Human Resources and Internal Communications, have the primary responsibility in this space with the Stakeholder Engagement team playing a supporting function.

To obtain a full understanding of the views of its stakeholders, UKPN engages with all of these groups recognising that the diversity of these stakeholders is a significant challenge. This requires that UKPN draws on existing contacts as well as identifies and targets stakeholder groups with which there has been limited engagement in the past. To encourage parties to engage and secure their ongoing participation, UKPN needs to identify issues stakeholders have an interest in influencing. Topics discussed could relate to initiatives it is proposing to progress although UKPN should also demonstrate flexibility in responding to issues stakeholders wish to discuss.

In 2013-14, the areas in which stakeholders have demonstrated willingness to engage have included sustainability and environment, innovation, skills and connections. UKPN has included these topics into ongoing and future engagement sessions on an ongoing basis. UKPN keeps a record of the areas of interest stakeholders have raised and also circulates agendas well in advance of any sessions to invite their views on key topics.

The diverse backgrounds of UKPN stakeholders means they will have differing levels of understanding about the electricity industry; ranging from domestic customers with no knowledge to industry participants that can be considered relative experts. To facilitate effective engagement from all of these parties, UKPN develops and distributes briefings in advance of its sessions where necessary. These briefings vary according to the audience and to ensure effective targeting to stakeholder needs they are tested prior to distribution.

**UKPN must target engagement to diverse stakeholder groups**

UKPN engages with its stakeholders through a combination of methods including bilateral meetings, workshops and learning and dissemination sessions. Any strategy for ongoing engagement must take account of and complement this 'business as usual' activity. All stakeholder engagement activities are documented and communicated through UKPN directorates allowing for cross-organisational understanding of the engagement that has taken place and communication of key findings. In addition, UKPN has formal processes in place to assess views expressed and provide feedback. Implementation of these elements of the strategy are crucial to the success of ongoing engagement. UKPN stakeholder engagement approaches and processes are also subject to assessments/audits as and when necessary and at least annually, UKPN undergoes external assurance against AA1000 standard. Previous findings suggested that business-as-
usual engagement was often reactive in nature and tended to be focused on detailed issues. To complement this, ongoing engagement now also takes the form of targeted sessions focused on emerging topics of interest to stakeholders.

UKPN have separated its stakeholders into groups according to their level of knowledge and their areas of interest to allow the sessions to be targeted to their needs. This approach takes into account the specific needs of the targeted groups set out in Figure 2 below.

![Figure 2: Overview of targeted groups of stakeholders](image)

Although diverse views may be expressed at these meetings, the common interest that the stakeholders have helps to make the sessions more relevant and thereby constructive.

**UKPN must respond to the needs of its stakeholders**

For the full value of engagement to be realised, UKPN has processes in place to ensure that the details of the engagement are effectively recorded. This includes details of the stakeholders involved, the form of engagement and key findings. UKPN can also effectively demonstrate the process it has adopted in assessing options to address, issues raised and the feedback it provides to stakeholders. To support this, a database and action logging system has been developed and embedded in the business, with requirements on staff to use this to understand issues previously raised and record key messages for future discussions.

These are clearly crucial elements of the UKPN approach to stakeholder engagement as they ensure that the value of the engagement is retained by providing a recognised method for continuity of response and action to feedback, increasing stakeholder satisfaction in the knowledge that they are listened to and their input is valued. It also ensures that UKPN is on the right track for growing and developing our business.

Crucially, any plan for stakeholder engagement must incorporate provisions to ensure that UKPN evaluates its approach on an ongoing basis to capitalise on elements that work well and to amend or remove elements that do not deliver desired results. To facilitate this, UKPN has developed criteria and Key Performance
Indicators to assess the success of its engagement in terms of preparation, running of events and effectiveness in recording, assessing and responding to stakeholder views.

Recent Developments and Way Forward
The combined effect of this overall strategy for engagement will ensure that UKPN has a clear understanding of the views of its stakeholders and is able to respond to these in a timely manner in DPCR5 and RIIO-ED1. Engagement will be effective where it enables UKPN to develop a clear narrative to present its approach to engagement and key findings and explain the impact engagement has had on its business plan.

In 2013/14, UKPN has introduced new, including innovative, elements into its engagement plan.

- Established a blog on its website to keep stakeholders updated on new developments
- Expanded its presence on social networking sites such as twitter drawing on its positive experience in keeping stakeholders updated on progress with respect to particular incidents
- Introduced web chat
- Established regular internal and external newsletters. An internal newsletter, aimed at UKPN employees, is published monthly, while external newsletters, disseminated electronically and in hard copies are published every quarter.
- Developed dedicated electronic distribution lists to notify selected groups of stakeholders of various developments (from incidents to Power of Giving Fund and relevant publications). This method of communication ensures targeted communication and has been hailed as DNO best practice in the winter storms.
- Introduced yearly annual stakeholder engagement report that complements other publications, such as Annual Review and the Sustainability Report.

Potential next steps include:

- Developing an invitee-only section of the website providing a forum to facilitate discussion on contentious issues with stakeholders likely to have insights in this area.
- Establishing an internal blog to keep colleagues updated on developments that are taking place across the business. This would facilitate knowledge transfer.

In assessing the potential of these initiatives, consideration should be given to whether these mechanisms would significantly move forward stakeholder relationships and debates.
Alignment with International Standards

Our stakeholder engagement adheres to international standards such as the recommended guidance in ISO 26000 and our strategy is aligned with the AA1000 Stakeholder Engagement Standard (2011), a leading international standard that builds on three principles:

- **Inclusiveness**: Identifying and involving the full range of stakeholders in the internal decision-making process
- **Materiality**: engaging with stakeholders on issues that they have a material interest in and that are within UK Power Networks’ control or influence
- **Responsiveness**: committing to act and respond to stakeholders’ view and opinions
2. Introduction

Stakeholder engagement is important to all organisations to facilitate a clear understanding of what their stakeholders want and the best way to deliver against this. Historically, there has been limited focus on the need for energy network companies to engage with their stakeholders as decisions regarding the development of the network were dealt with under a business as usual approach. Increasingly there will be a more options in determining an appropriate approach toward network development and this gives rise to the need for network companies to consult stakeholders to understand their views on the best way forward. This shift in circumstance is recognised in the new RIIO regulatory framework which places greater emphasis on the need for network companies to engage in an effective two-way dialogue with their stakeholders. This should provide an opportunity for interested parties to influence decisions on the development of the network.

The RIIO framework will be applied to all future price controls and will therefore be used to guide the development of the next electricity distribution price control which is set to take effect from April 2015 for an eight year period. Given UKPN's position as an owner of three electricity distribution networks, it will be crucial that it has a strategy for engagement in place which will ensure it can deliver against the requirements incorporated under RIIO.

2.1 Scope of this document

Ofgem has set out that network companies should regularly engage with interested parties to provide genuine opportunities for their stakeholders to influence the decisions they take on the development of their network. The regulator has specified that while network companies should take forward specific engagement to support the development of their RIIO business plan, opportunities to discuss network development should be available on an ongoing basis and should not be confined to the price control. It will be crucial for UKPN to implement an effective stakeholder engagement strategy on the RIIO business plan, specifically related to the scenarios and associated outputs on which the business plan is based. This process is being taken forward as part of a separate work stream.

This document presents a proposed approach to ongoing stakeholder engagement which is intended to embed a proactive, two-way dialogue with stakeholders into UKPN's business as usual processes. Although the detailed scope of discussions has yet to be defined, this engagement will be focused on topics identified which are of interest to stakeholders and these will be broader ranging in scope than the scenarios underpinning the RIIO business plan or the associated outputs. However, in developing this strategy, it will be important that recognition is given to the interactions between this stream of work and the strategy implemented for engagement on the RIIO business plan.

The document focuses on the steps UKPN should take to effectively target stakeholders, provide information to facilitate their participation and hold structured engagement sessions. It also presents some early criteria for UKPN to use to evaluate the process it adopts. It stops short of developing a proposed process to ensure the key findings of this engagement are recorded and from implementing requirements to
ensure UKPN effectively responds to views expressed; developing strategies to address these comments where appropriate. These elements are clearly crucial to the effectiveness of any strategy for ongoing stakeholder engagement but the development of a process to support this element of the approach will be progressed once the foundations of the strategy are in place.

2.2 Structure of the document

This document sets out a proposed approach for UKPN to engage with its stakeholders on an ongoing basis. It is structured in the following format:

- **Chapter 3**: Provides an overview of the context in which the strategy for ongoing stakeholder engagement has been developed, primarily focusing on recent changes to the regulatory framework.
- **Chapter 4**: Presents a summary of the engagement that UKPN has undertaken in the past with reference to some best practice examples.
- **Chapter 5**: Sets out the objective of ongoing stakeholder engagement and the elements of our approach that allow UKPN to fulfil this objective.
- **Chapter 6**: Presents the approach to ensuring UKPN effectively prepares for stakeholder engagement sessions. As such, it highlights the stages involved in identifying key contacts and associated issues as well as presenting a rationale for providing targeted briefings prior to events.
- **Chapter 7**: Sets out the form and structure of engagement sessions and outlines a process for ensuring that these complement the business as usual engagement that takes place.
- **Chapter 8**: Highlights principles for recording the findings of stakeholder engagement, assessing the routes to address any issues raised and effectively providing feedback to stakeholders that have taken part.
- **Chapter 9**: Presents our approach to evaluation of the success of each of the elements of UKPN's engagement strategy on an ongoing basis.
- **Chapter 10**: Sets out our timeline for engagement and way forward, highlighting the elements in the development of an effective strategy for ongoing stakeholder engagement.
- **Appendix 1**: Gives further information on domestic and international best practice examples of engagement.
3. Policy and Regulatory Context

In developing a forward looking strategy for ongoing stakeholder engagement, it is important that there is clarity about the policy and regulatory context in which this approach is being progressed. This will provide an indication of the expectations of the government and regulator regarding the focus of the strategy and the objectives that should be achieved.

This chapter discusses recent relevant changes in the policy and regulatory context as well as the implications these changes will have for the form and structure of the stakeholder engagement strategy that UKPN adopts on an ongoing basis.

3.1 Trends in policy focus

In recent years, increasing emphasis has been placed on the need for the energy industry to facilitate the delivery of a sustainable energy sector. This culminated in the development and agreement of a European target on renewable energy in 2007. In line with this target, the UK has committed to source 20% of its overall energy demand from renewable energy sources. This requirement relates to both the energy and transport sectors but it is anticipated that the majority of the responsibility will fall on the electricity sector, given its capacity for renewable generation. The government has also committed to formal targets related to carbon abatement; a European target of a 20% reduction as compared with 1990 levels by 2020 and a domestic target to reduce carbon emissions by 80% by 2050. Again, while this is not an energy specific target, it is anticipated that a large proportion of this commitment will fall on the energy sector, particularly electricity, given the opportunity to decarbonise this energy source and the replacement role it could play in heating homes and fuelling vehicles.

Ofgem has increasingly recognised the need for greater emphasis on sustainable energy and the role of energy companies in facilitating this. While other energy players, such as electricity generators, are likely to have a greater role in facilitating renewable deployment and carbon abatement, the network companies could also play a significant role. In this respect, they will need to undertake investment to ensure that sufficient capacity is available to accommodate low carbon and renewable generators wishing to connect to the network. This investment will need to be carried out in an efficient way to ensure value for money for consumers. The network companies should also consider ways to reduce their carbon footprint through a reduction in their direct emissions as well as the potential to mitigate the impact of the network on the physical environment and visual amenity.

Recognition of the role that network companies should play in helping to deliver a sustainable energy sector, and the need to implement incentives to encourage these behaviours, was one of the key drivers of the review of energy network regulation that Ofgem recently carried out (RPI-X@20).

3.2 Impact of the RIIO framework

At the conclusion of the RPI-X@20 review in October 2010 Ofgem published its decision to implement a new framework for the regulation of energy networks, known as RIIO. The framework emphasises the role
of network companies in facilitating the delivery of a sustainable energy sector at value for money for existing and future consumers. It is an outputs-led framework which is intended to provide clarity over the costs that network companies incur in delivering a range of outcomes. It also has a strong focus on innovation to ensure that outcomes are delivered at an efficient cost.

Recognising that the role of the energy networks in helping to deliver a sustainable energy sector will be likely lead to increases in prices for consumers and have implications for stakeholders more generally, RIIO places greater emphasis on engagement with a range of stakeholders. This engagement should be taken forward both by Ofgem and the network companies. Ofgem considers this approach will provide stakeholders with sufficient opportunities to engage on high level policy issues related to the price control as well as issues and initiatives specific to each network company. Ofgem has set out an expectation that this engagement should not only support the development of the RIIO business plan but should be carried out on an ongoing basis to ensure stakeholder views are reflected in all decisions that network companies take about the future development of the network.

3.2.1 Using RIIO going forward

The RIIO framework will be used to guide future price controls in all of the gas and electricity network sectors and will therefore be adopted for the next electricity distribution price control review, which is set to take effect for an eight year period from April 2015. UKPN has initiated the process of developing a strategic approach toward engagement on scenarios and outputs which will directly feed into the RIIO business plan. However, additional work is needed to develop an ongoing plan for engagement to demonstrate to Ofgem that stakeholders have been given an opportunity to influence all aspects of the future development of the UKPN distribution network.

Ofgem has set out that, for a business plan to be well justified, it will be crucial that a network company is able to demonstrate effective stakeholder engagement on both issues specific to the RIIO business plan, e.g. the development of scenarios and outputs, and on an ongoing basis on the future development of the network. Ofgem has highlighted that where network companies demonstrate effective engagement and associated support from stakeholder groups for the approach they are proposing, this will be very persuasive in terms of presenting the business plan as well justified.

Changes in the regulatory arrangements could also mean that parties materially affected by the price control e.g. consumer groups and licences holder such as suppliers, could appeal the provisions contained within the regulatory settlement if they do not feel that the views they have expressed have been given sufficient weight1. This highlights the importance of ensuring full consideration of the views raised during stakeholder engagement.

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1 Implementation of the EU Third Package, Consultation on licence modification appeals, DECC, September 2010
engagement to ensure that the price review settlement agreed with Ofgem is not subject to review by the Competition Commission.
4. Lessons from past engagement

As outlined in Chapter 3, the RIIO framework clearly sets out Ofgem's expectations with respect to the strategy that network companies should adopt to deliver an effective programme of stakeholder engagement. In developing any such programme, UKPN should have regard to previous lessons learned from past engagement strategies. As such, UKPN should consider:

- the approach to engagement that Ofgem adopts; this should provide an indication of its views of the elements of any approach that constitute best practice;
- the current and previous strategies for stakeholder engagement that it has adopted e.g. in DPCR5;
- the strategies that comparator DNOs have taken, particularly those that are considered to be leaders in this area e.g. WPD; and
- other examples of best practice in engagement.

This chapter provides a brief overview of lessons for engagement in each of these areas. UKPN should remain appraised of developments in each of these areas as its approach to engagement evolves.

4.1 Leading by example: Ofgem's engagement

The RIIO framework emphasises the importance of stakeholder engagement in the development of a well justified business plan. As the author of this framework and a public body accountable to a range of stakeholders, it is appropriate to look to the approach to past engagement that Ofgem has adopted for lessons on its views regarding the elements of an approach that would constitute best practice.

Traditionally, Ofgem's strategy for engagement has been focused on discussions with stakeholders on the development of policy proposals. Ofgem's approach has evolved over time and the associated discussions now take place through a number of different means. Figure 4.1 provides an overview of the various different means through which Ofgem takes forward stakeholder engagement.
## Stakeholder Engagement Strategy

Figure 4.1 – Overview of the various approaches to engagement by Ofgem

<table>
<thead>
<tr>
<th>Method</th>
<th>Role</th>
<th>Role in UKPN</th>
</tr>
</thead>
</table>
| Consultation documents      | • Consultation documents published on the development of a policy proposal  
                              |   • Takes the structure of a formal consultation or open letter            | UKPN should use a targeted approach to consultation materials                  |
|                             |   • Best practice requires a six week consultation period            |                                                                              |
|                             |   • Ofgem seeks to publish non technical consultation documents      |                                                                              |
|                             |   • It publishes a summary of responses and its approach to addressing these |                                                                              |
| Willingness to pay analysis | • Improves awareness of stakeholder priorities by attaching costs to options  | Should assign costs to options                                                |
|                             |   • Mainly used to explore price controls but has been used in other cases |                                                                              |
| Workshops                   | • Often used for consultation documents but can be used for evolving policy | Targeted workshops and working groups will facilitate discussion on business development |
|                             |   • An opportunity to present proposals, clarify positions and seek feedback |                                                                              |
|                             |   • Generally start with a presentation, then split into break out sessions |                                                                              |
|                             |   • Ofgem usually publishes a summary of the discussions for transparency |                                                                              |
| Working groups              | • Established to facilitate constructive discussion on a major policy issue |                                                                              |
|                             |   • There is usually ‘membership’ of a working group and parties elect to join |                                                                              |

<table>
<thead>
<tr>
<th>Method</th>
<th>Role</th>
<th>Role in UKPN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ofgem hosted groups</td>
<td>• Ofgem runs a number of sessions for representative stakeholder groups</td>
<td>Propose targeted workshops for stakeholder groups</td>
</tr>
<tr>
<td></td>
<td>• This includes the large users group (LUG), the environmental advisory group (EAG) and industry groups such as the gas forum, amongst others</td>
<td></td>
</tr>
<tr>
<td>Bilateral meetings</td>
<td>• Ofgem has ongoing bilateral meetings with a range of stakeholders</td>
<td>Should adopt an open door policy</td>
</tr>
<tr>
<td></td>
<td>• It operates an ‘open door’ policy to accommodate requests for meetings</td>
<td></td>
</tr>
<tr>
<td>Representative bodies</td>
<td>• Ofgem is a member of bodies e.g. the joint regulators group (JRG) and government economists in competition and regulation (GECR)</td>
<td>UKPN should seek to attend events held by representative stakeholder groups</td>
</tr>
<tr>
<td></td>
<td>• These forums allow progress updates and experiences to be shared</td>
<td></td>
</tr>
<tr>
<td>Other organisations events</td>
<td>• There have been more requests for Ofgem to attend and present at events as the impact and awareness of energy issues has increased</td>
<td>Should establish engagement with domestic consumers</td>
</tr>
<tr>
<td></td>
<td>• Ofgem attends events hosted by consumer reps, government and industry</td>
<td></td>
</tr>
<tr>
<td>Consumer first panel</td>
<td>• Comprises 100 everyday consumers from five locations across GB</td>
<td>Should try to engage with these reps</td>
</tr>
<tr>
<td></td>
<td>• Allows Ofgem to regularly engage with consumers to discuss key issues</td>
<td></td>
</tr>
<tr>
<td>Consumer challenge group</td>
<td>• A panel of eight consumer reps selected to act as a ‘critical friend’</td>
<td>Potential to set up an online forum</td>
</tr>
<tr>
<td></td>
<td>• Established in DPCR5 to provide a consumer perspective on the proposals</td>
<td></td>
</tr>
<tr>
<td>Web forum</td>
<td>• Set up to facilitate ongoing discussion on development of key policies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Stakeholders invited to submit articles/comments to highlight key concerns</td>
<td></td>
</tr>
</tbody>
</table>
Figure 4.1 demonstrates the range of methods that Ofgem uses to facilitate stakeholder engagement. Clearly many of these elements have been established over a period of time and, as such, it will not be difficult for UKPN to replicate such a wide-ranging strategy in time to inform RIIO-ED1.

To draw on Ofgem's experiences, however, UKPN should seek to learn lessons from the key elements of this strategy e.g. Ofgem's evolving approach to the production of targeted consultation documents, its use of willingness to pay analysis and its increasing use of workshops/working groups. Recognising that Ofgem will be setting a high hurdle for network companies in relation to stakeholder engagement, UKPN should also consider the new innovative elements of Ofgem's approach that have been adopted more recently and the potential to replicate these e.g. the consumer challenge group and consumer first panel. Where possible, UKPN should remain accessible to its stakeholders and adopt a similar 'open-door' policy to that taken by Ofgem.

4.2 Past UKPN stakeholder engagement

Research into previous UKPN stakeholder engagement highlighted that there had been limited recording of the engagement or associated findings making it difficult to assess lessons learned from these experiences. However, there is a full record of the various steps taken to engage with stakeholders to support the development of the business plan as part of DPCR5.

4.2.1 Context

In DPCR5 Ofgem set out an expectation that DNOs should consult with their regional stakeholders to secure their involvement in the DPCR5 process. This allowed their views to be considered as part of the development of the business plan. Ofgem assessed the approaches taken by each of the DNOs and concluded that in general the exercise was helpful. Most of the DNOs also set out that they would learn from the experience and that they intended to take forward engagement with their stakeholders in the future. Ofgem's assessment of the approaches to stakeholder engagement adopted by the DNOs highlighted the following lessons for future engagement.

- Workshops were most successful where parties had already read the materials prior to attending.
- Stakeholders required an explanation of the issues to facilitate useful discussion.
- There was benefit in DNOs consulting with stakeholders using costed options as this allowed stakeholders to better consider the issues in context.
- Engaging 'ordinary' customers was a big challenge - there was confusion over the role of DNOs.
- Business customers were difficult to engage - a more successful approach might to contact them via trade bodies e.g. the Confederation of British Industry (CBI).

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• It was difficult to engage MPs - they tended to favour specific events for MPs.

4.2.2 Assessment of the UKPN process

To comply with the expectation that Ofgem had set out with respect to DNO stakeholder engagement during DPCR5, UKPN (at the time under the ownership of EDF Energy), published a document setting out its plans for network development and took forward an online consultation using a structured questionnaire. This was complemented with a series of three workshops and bilateral meetings with a number of key stakeholders. Recognising the specific requirements of MPs, EDF also held a number of specific meetings with these parties. Following engagement, UKPN issued a response document which was intended to demonstrate how the views expressed by stakeholders had been addressed.

An assessment of this process highlighted a number of lessons for UKPN from this process which it should apply to its strategy for stakeholder engagement going forward.

• **Ensure information is user friendly**: It is important to provide simplified explanations and avoid the use of jargon for non-experts. This will facilitate their understanding and encourage their continued engagement in the future.

• **Ensure documentation is concise**: Materials provided to stakeholders should focus on the key issues they need to be aware of and explanations should be succinct to encourage stakeholders to read the materials.

• **Use innovative presentation formats**: This is particularly important for non-experts to pique their interest and encourage engagement. Long wordy documents are unlikely to facilitate this.

• **Ensure accessible support**: Despite efforts to provide user friendly information, stakeholders may have difficulty understanding materials provided and support should be available to assist them. Where stakeholders understand the issues they will be more confident to participate in the process.

• **Be clear about the desired outcome**: UKPN should have clarity about the objective of the engagement to guide the development of materials and the form of any associated questions.

• **Be transparent about impacts**: It is crucial that UKPN is explicit about how stakeholder views have been dealt with. If it is not possible to address concerns raised, UKPN should provide reasons for this. This will be important to Ofgem’s assessment and to continued stakeholder participation.

• **Accurately record responses**: This will facilitate knowledge transfer and ensure the value of engagement is not lost in the future.

The approach set out in this document draws on the lessons from Ofgem’s assessment of DPCR5 stakeholder engagement as well as the lessons specific to UKPN in its development of a strategy that is robust demonstrating that UKPN has made a step change in its approach to engagement.
4.3 Approach to engagement by other DNOs
UKPN has looked to other DNOs and utility companies nationally and globally for best practice in approaches to stakeholder engagement. UKPN reviewed:

- UK’s Western Power Distribution engagement process,
- South Australian ETSA consultation on demand management,
- The negotiated settlement approach adopted in North America,
- Civil Aviation Authority constructive engagement in UK,
- EDP’s stakeholder engagement approach -- currently 2013 world leaders in the utilities sector of Dow Jones Sustainability Index

Further information is detailed in Appendix 1 on each of the above.

5. Objectives of engagement
UKPN has set clear objectives for stakeholder engagement and has a view on the outcomes it wants to achieve. The aim or desired outcome from UKPN’s stakeholder engagement is to ‘continuously develop arrangements that will provide meaningful opportunities to a range of UKPN stakeholders to influence the direction of UKPN thinking on network development and business operation on an ongoing basis’. Within this aim we have developed the following stakeholder engagement objectives underpinned by specific initiatives and KPIs:

1. Continue to enhance the identification of the range and locations of UKPN stakeholders with specific reference to our vulnerable customers.

2. Further understand relevant issues for UKPN stakeholders through stakeholder engagement targeted activities working collaboratively with key partners.

3. Provide targeted information and other services to UKPN stakeholders.

4. Manage targeted investment in our community.

5. Respond in a timely and appropriate manner to UKPN stakeholder needs and requests.

6. Continuously improve the systems, procedures and operations within UKPN in response to identified needs and stakeholder feedback.

UKPN has identified the steps that are crucial to follow to ensure the engagement strategy it implements is effective. This chapter presents UKPN's objectives for ongoing stakeholder engagement and associated approach to achieve this, highlighting the steps that need to be taken. It also prioritises these steps and, on this basis, sets out a structure for the remainder of the document.

5.1 The objective of ongoing engagement
As set out in Chapter 2, stakeholder engagement is important to all organisations to facilitate a clear understanding of what their stakeholders want and the best way to deliver against this. However, it is not sufficient for UKPN to simply listen to the views of stakeholders without assessing the potential to address the issues raised; engagement should represent a genuine opportunity to affect the future plans of network companies. It is important that UKPN not only carries out a structured process of targeted engagement but also demonstrates how this affects the decisions it takes on the network.

The objective of ongoing engagement is to: develop arrangements that provide meaningful opportunities to a range of UKPN stakeholders to influence the direction of UKPN thinking on network development and business operation on an ongoing basis. A similar objective has also been used to guide stakeholder engagement on the RIIO business plan.

5.2 Principles for engagement
An engagement strategy must also have robust assessment criteria. In the RIIO handbook, Ofgem sets out their criteria that they use to evaluate their own engagement strategy which provides a clear indication of the likely criteria they use to evaluate network company engagement. Figure 5.1 below provides an overview of these principles. UKPN have committed to this criteria for assessment through specific KPI targets.

Figure 5.1: Ofgem's principles for engagement

<table>
<thead>
<tr>
<th>Ofgem's principles for engagement</th>
<th>Inclusive</th>
<th>Transparent</th>
<th>Targeted Information</th>
<th>Control to stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Responsive</td>
<td>Accountable</td>
<td>Take views seriously</td>
<td>Show Impact Evaluate</td>
</tr>
</tbody>
</table>

5.3 Elements of an effective engagement strategy
The aim and objectives outlined in section 5 above are high level and to deliver against it UKPN have defined a clear approach and associated steps that it takes. Figure 5.2 presents the steps that are followed to effectively deliver against this aim. It identifies those steps that UKPN take to: prepare for engagement;
engage with stakeholders; and record, assess and respond to key findings. It also highlights the need for ongoing evaluation of the approach.

Figure 5.2: Overview of the elements required to deliver against the objective of engagement

Each of the steps highlighted in Figure 5.2 above are equally important to ensure delivery against the objectives set out in Section 5 above. However, in terms of priorities, Phases 1 and 2 relating to the development and implementation of the strategy should be initiated first to allow UKPN to prepare for and take forward a programme of effective engagement. Completion of these phases will provide clarity on who to engage and the process for identifying issues for engagement as well as a proposed format and structure for the sessions themselves.

Although the recording of key findings, assessment of approaches to address the key findings and the provision of feedback to stakeholders will be crucial to the overall success of the approach, these elements can be progressed once the foundations of an ongoing engagement strategy are in place.

For the phase 1 and 2 to be effectively implemented, UKPN have clarified how the success of the process is evaluated over time to ensure that it remains focused on the delivery of desired outcomes. Clearly, UKPN should be aiming to deliver against the overall objectives of stakeholder engagement but, given the high level nature of the objectives, it would seem pragmatic to continually assess the programme against an agreed set of evaluation criteria outlined in our stakeholder KPI document. This is UKPN's priority.
5.3.1 Structure of the remainder of this document
In light of UKPN’s programme priorities of ongoing stakeholder engagement, the remainder of this is structured in line with Figure 5.3 below.

Figure 5.3: Structure of the remainder of the document

<table>
<thead>
<tr>
<th>Chapter 6</th>
<th>Chapter 7</th>
<th>Chapter 8</th>
<th>Chapter 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approach to implementation of Phase 1</td>
<td>Approach to implementation of Phase 2</td>
<td>Approach to implementation of Phase 3</td>
<td>Approach to implementation of Phase 4</td>
</tr>
<tr>
<td>Preparatory steps to identify stakeholders and issues for discussion as well as providing targeted briefings</td>
<td>Format and structure of targeted stakeholder events</td>
<td>Recording and assessing stakeholder views as well as providing feedback</td>
<td>Assessment criteria to evaluate the success of engagement and adapt the approach</td>
</tr>
</tbody>
</table>
6. Preparing for engagement

For ongoing stakeholder engagement to be a success, UKPN must effectively prepare for the stakeholder events that it intends to hold. This will ensure that the right representatives are able to attend the sessions, that the issues identified for discussion are ones that the attendees have an interest in influencing and that stakeholders have been effectively briefed to ensure that they have the knowledge required to allow them to participate in the session. This chapter presents the preparatory steps that UKPN take prior to any engagement to secure that events are successful. It focuses on how to:

- Identify relevant stakeholders and maintain contact information for these parties over time;
- Identify issues of importance to stakeholders and respond to their needs; and
- Ensure the provision of targeted information to stakeholders to ensure they are up to speed with the issues and can therefore effectively participate in the engagement sessions.

6.1 Identifying relevant UKPN stakeholders

The first step in the delivery of an effective plan for ongoing stakeholder engagement is to develop a clear understanding of the full range of stakeholders with an interest in UKPN activities. To do this, UKPN have a clear view of how the term stakeholder is interpreted and how it relates to the definition of a consumer. UKPN's approach is set out below.

- **Consumer:** Any party that directly consumes network services.
- **Other Stakeholders:** Any party that has an interest in the way that the network company is developed and operated over time.

Using these definitions, a ‘consumer’ could refer to a domestic customer, a commercial customer or a generator. Each of these parties take services directly from the network company; the consumer through the effective receipt of electricity at the point of use and the generator by using capacity to allow them to transport their generated electricity on the network. The definition of ‘stakeholder’ encompasses the definition of ‘consumer’ but also incorporates other parties with an interest in the ongoing development and operation of the network. This group of parties is broad and ranges from government bodies to infrastructure developers to environmental organisations.

6.1.1 Identifying the full range of UKPN stakeholders

The broad definition of ‘stakeholder’ outlined above and in Section 1 highlights the full scope of stakeholders with whom UKPN should consider engagement on an ongoing basis. In its RIIO handbook, Ofgem provides a starting point for electricity DNOs to consider the stakeholders that they may wish to engage with.

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However, in light of the definition above, it is clear that there are many more stakeholders whom it may be appropriate to engage in discussions. Figure 1 provides an indication of the range of external stakeholders with which UKPN engages.

UKPN seeks to collaborate with partners in obtaining the most up to date information on stakeholder types which to engage with, in particular in the identification of our most vulnerable customers. Clearly UKPN will have existing contacts within some of these groups of stakeholders but there are likely to be gaps in terms of some of the other groups. UKPN should seek to use its existing contacts as well as undertaking primary research to ensure that it has a clear understanding of the stakeholder organisations and contacts with whom it engages.

### 6.1.2 Developing a database of stakeholder contacts

As UKPN continues to build up a better understanding of the range of stakeholder groups with whom it engages and relevant contacts within these organisations, it must continuously develop the database to store and update the details of these representatives. Ongoing engagement should facilitate regular dialogue with these stakeholders and, in turn, highlight where there are changes in personnel within representative organisations. If UKPN staff become aware of these changes over time, they should endeavour to amend the database to ensure that it remains up to date.

This database is recognised as a valuable tool allowing UKPN to identify key stakeholders for future engagement together with ongoing engagement. This database will be further improved through our business transformation process. This ensures efficiency in stakeholder identification and streamlines the engagement processes by avoiding the need to go through a complex process of identifying relevant contacts in preparation for each stakeholder event thereby being more cost efficient.

### 6.2 Identify issues of importance to stakeholders

To secure the interest of stakeholders in ongoing engagement with UKPN it is crucial that the issues proposed for discussion at each session are of interest to the stakeholders involved. Figure 6.2 illustrates that there are three main ways in which relevant issues could be identified.

**Figure 6.2: Ways to identify topics for ongoing engagement**

<table>
<thead>
<tr>
<th>Identification of topics for engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issues raised by stakeholders in previous engagement</td>
</tr>
<tr>
<td>Initiatives which UKPN is considering progressing which would benefit from stakeholder engagement</td>
</tr>
<tr>
<td>Responding to issues identified during engagement</td>
</tr>
</tbody>
</table>
Figure 6.2 outlines the ways in which issues relevant to ongoing engagement may be identified and the following section provides more detail on the process of highlighting these issues.

- **Issues previously raised:** The first will be to obtain a better understanding of the issues that stakeholders have raised with UKPN in the past, either through specific engagement processes such as DPCR5 or through ongoing work that UKPN is taking forward e.g. customer satisfaction schemes. To support the effective identification of these issues, UKPN has an internal process in place to allow colleagues to highlight issues to the head of stakeholder engagement or corporate affairs where it has become apparent that these are of increasing interest/concern to consumers.

- **UKPN initiatives:** The second will be to table discussions around initiatives that UKPN is seeking to progress. For example, if UKPN is keen to understand the impact that time of use tariffs might have for future network investment it would be appropriate to speak to suppliers about their experience in terms of the take up of these tariffs and consumers about their willingness to change their consumption patterns. This type of engagement will provide genuine opportunities for stakeholders to influence UKPN decisions as it will allow UKPN to use the views of its stakeholders to shape the direction of its thinking.

- **Respond to issues identified during engagement:** On an ongoing basis, UKPN use feedback from the sessions it holds to guide its thinking on the topics of most relevance to stakeholders. As such, where particular topics spark constructive debate, they may highlight areas appropriate for further discussion and UKPN then explore with stakeholders whether they would like to engage on these issues at future events. Building on this UKPN also circulate session agendas to stakeholders in advance of scheduled meetings to invite views on potential additional issues for discussion.

Using a combination of the three approaches outlined above allows UKPN to draw on all of the relevant sources of information to ensure that the topics they table for discussion pique consumer interest and therefore secure their ongoing participation. As far as possible, UKPN should seek to adopt a flexible approach to the identification of issues whereby topics are tabled for discussion where it becomes apparent that there is a real desire for discussion or there are material issues to debate. Where UKPN identifies issues well in advance of the sessions taking place, this will allow it to take forward research to develop a full understanding of the issues and provide prior briefing to stakeholders attending the sessions.

### 6.2.1 Initial topics for engagement

As set out in Chapter 4, during DPCR5 UKPN took forward engagement to understand the views of a range of its stakeholders. The engagement focused on a number of areas but discussions highlighted a stakeholder interest in certain key areas. These are set out in Figure 6.3 below.
These topics provided a starting point for UKPN to engage on and continue to evolve as UKPN develops a better understanding of the issues which interested parties want to discuss.

The issues above are aligned with the areas highlighted by Ofgem as important through the RIIO framework. In this respect, a high level objective of the RIIO framework is to 'encourage network companies to play a full role in the delivery of a sustainable energy sector'. Engaging stakeholders on climate change and sustainability is a clear route to ensure that UKPN has clarity about viable options to progress this objective. Ofgem has also emphasised the importance of innovation in ensuring that a sustainable energy sector is delivered at value for money for existing and future consumers. The importance Ofgem attaches to the need for innovation in energy networks is also highlighted by the decision to extend the scope of the low carbon networks (LCN) fund to all network sectors; whereby it will become the network innovation competition (NIC). Finally, Ofgem has set out that one of the key means through which network companies can facilitate the delivery of a sustainable energy sector is by ensuring that they have the capacity to connect low carbon users to the network and therefore discussions on 'connections' would also be aligned with Ofgem's priorities for discussion.

As highlighted above, during the RIIO business plan development period, UKPN have taken forward specific engagement on the scenarios and associated outputs underpinning this plan. These discussions have taken place alongside the ongoing programme of engagement. Clearly, there have been interactions between the discussions that took place on the scenarios/outputs for the RIIO business plan and the ongoing engagement on the topics outlined above in Figure 6.3. However, it is envisaged that the engagement that takes place on an ongoing basis will focus on initiatives UKPN is considering to ensure it delivers against the outputs that have been put in place, rather than focusing on the form that the outputs themselves should take. So, for example, while engagement on the connections output relate to the timings and quality of connections expected from UKPN by its stakeholders and the way this should be embodied in...
an output measure, the ongoing engagement relates to the types of initiatives and steps that UKPN could take to deliver against this output. In this respect the objective of engagement on the scenarios and outputs underpinning the business plan was to ensure that an appropriate framework is in place for RIIO-ED1 while the ongoing engagement focused on making sure feasible initiatives were put in place to deliver this.

6.3 Provision of targeted information
As outlined above in section 6, UKPN has a very broad range of stakeholders with a variety of backgrounds. As a result, there are huge differences in the knowledge and understanding that these stakeholders have with respect to the energy industry and electricity distribution. To ensure the effective participation of stakeholders, it is crucial that UKPN prepares briefings for certain stakeholder groups. This allows those stakeholders with relatively less knowledge regarding the energy industry and electricity distribution to progress up the learning curve prior to attending engagement sessions and enables them to participate in discussions.

Briefings are appropriately targeted to achieve this aim based on UKPN’s view on the level of understanding of different stakeholder groups. While assessing stakeholder knowledge should not involve a significant amount of research, it is important for UKPN to consider the needs of different groups and tailor the information they provide to these needs. Where possible, UKPN test their briefings with a sample of stakeholders to understand whether information is pitched at the right level. UKPN offer support through the provision of a contact email address and a telephone number to allow stakeholders to probe the information and ask questions where the briefings are unclear on certain issues.

The targeting of information should not simply be restricted to briefings that are provided in advance of any stakeholder sessions. Information presented at the sessions themselves is prepared with the needs of stakeholders in mind. As such, the issues discussed and the level of detail included in any presentation is tailored to the parties attending the session to ensure that they fully understand the issues under discussion and are able to participate in the debate. UKPN also consider the appropriate level of detail to provide to stakeholder groups with expertise in this area, e.g. industry participants. It is likely that these stakeholders will be able to engage on more complex issues than other stakeholders and therefore may be able to confer significant value in relation to the detail.

The process of providing targeted information is complemented by the steps outlined in section 5 as this will help to ensure that agendas for engagement sessions are targeted at those stakeholders in attendance. It is also complemented where relevant information is placed on the UKPN website. This ensures the information is accessible to a wide range of stakeholders and therefore raises awareness of ongoing issues. More generally, it also improves awareness of the sessions taking place and may therefore encourage a wider range of stakeholders to attend.
7. Engaging with stakeholders

The development of successful working relationships with a range of stakeholders is crucial to the implementation of an effective strategy for engagement. As set out in Chapter 6, part of this process involves the identification and effective targeting of contacts through the provision of appropriate information.

The other part of the process involves implementing a strategy to allow discussions to take place and this has required UKPN to consider the appropriate form and structure of engagement. Any strategy for engagement will likely comprise a mixture of existing and new forums for discussion. This ensures that the value of established forums are recognised and allows new sessions to be targeted in areas where additional engagement is required.

This chapter sets out the steps that UKPN is taking in decontinuously improving it’s understanding of the stakeholder engagement that it already takes forward and the improvement of UKPN’s existing plan for ongoing engagement to allow stakeholders an opportunity to influence the direction of its thinking.

7.1 Understanding existing engagement

As part of the development of UKPN’s strategy for ongoing stakeholder engagement, it is important to understand the engagement that UKPN already takes forward as part of its ‘business as usual’ approach. Despite this, it is clear that UKPN already engages its stakeholders using a range of different means and it is important that Ofgem has visibility of the work ongoing in this area. The effective presentation of this business as usual engagement has been achieved. It also ensures that the value of past engagement is not overlooked either by Ofgem or by UKPN and places UKPN on an equal footing with other DNOs.

Figure 7.1 below provides an overview of some of the business as usual methods that UKPN employs to engage with its stakeholders.
While Figure 7.1 presents a positive picture of the range of engagement activities in which UKPN is involved, discussions with UKPN staff has highlighted that the actual engagement taking place is much broader than this. To develop a full understanding of these business as usual activities, a requirement is placed upon UKPN staff at all levels of the organisation to identify discussions, forums or meetings in the past year which have focused on informing stakeholders of UKPN activities or better understanding the views of these stakeholders. This requirement is transposed into an obligation to record the details of any engagement that takes place in the future which is complemented by the establishment of an informal steering group regarding stakeholder engagement activities. The specifics of processes to ensure the ongoing recording of engagement activities are set out in further detail in Chapter 8.

7.2 Planning future engagement
UKPN have established a strategy for ongoing stakeholder engagement based on its understanding of the scope of existing business as usual engagement activities. This has highlighted gaps in terms of stakeholders with whom it should be engaging but with whom there are not currently any routes to facilitate ongoing discussion. On this basis, UKPN have established a programme of targeted stakeholder engagement to complement the existing activities in which UKPN is involved. This programme has successfully incorporated provisions to ensure stakeholders who already engage with UKPN are aware of the new opportunities to influence the direction of UKPN thinking on the development of its network on an
ongoing basis. UKPN have demonstrated initiative in establishing its own sessions that facilitate these discussions but, where possible, also make use of events hosted by associations representing the interests of stakeholders with whom UKPN are engaging.

7.2.1 Planning a targeted approach
Recognising the diverse stakeholders that UKPN engage with, the principle of targeted briefings, discussed in Chapter 6, is also applied to the approach used to arrange a programme of UKPN stakeholder events. In this respect, UKPN separates its stakeholders into groupings according to their level of knowledge and the primary issues that drive their interest in the energy industry. This allows UKPN to draft materials for the events based on the level of understanding and areas of interest of the stakeholders attending the sessions. Figure 7.2 highlights the groups of that such approach.

Figure 7.2: Targeted groups for stakeholder engagement
These stakeholder groups comprise of various different parties outlined in Figure 7.3 below.
Taking forward engagement using this targeted approach ensures the materials at each session are developed bearing in mind the understanding of the stakeholders attending the session. Where materials are drafted in this way, it encourages stakeholders to read the materials in advance of attending the session. This helps to ensure that event participants are more informed thereby facilitating constructive discussions at engagement events. To facilitate a constructive dialogue and ensure participating groups understand the relative materiality of the issues under discussion, where possible UKPN present costed options. This gives context to discussions and allows stakeholders to indicate the priorities they attach to alternative options given the implications that this would have for their bills. The materials presented prior to and during these sessions are placed on the UKPN website to ensure the information is accessible to a wide range of stakeholders, raising awareness of the sessions and potentially encouraging a wider range of stakeholders to attend.

7.2.2 Identifying topics relevant to stakeholder groups

Initial findings suggest that business as usual engagement is often reactive in nature and tends to be focused on relatively detailed issues. To complement this, the ongoing programme of engagement is now principally proactive in identifying emerging topics of interest to stakeholders.
Figure 6.3 presented a set of initial topics for this proactive engagement based on the issues that stakeholders had highlighted as important in DPCR5. On the basis of the stakeholder groups set out in the preceding section and the associated areas of primary interest, Figure 7.4 below further presents some main topics discussed with different stakeholder groups.

**Figure 7.4: Topics for discussion with different stakeholder grouping**

<table>
<thead>
<tr>
<th>Power cuts and reconnections</th>
<th>Connections to our network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Interruptions</td>
<td>Price of service</td>
</tr>
<tr>
<td>Customer Minutes Lost</td>
<td>Time to quote</td>
</tr>
<tr>
<td>Emergency response</td>
<td>Time to connect</td>
</tr>
<tr>
<td>Metal theft</td>
<td>Network capacity</td>
</tr>
<tr>
<td>Street works</td>
<td>Investment ahead of need</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Disconnections</td>
</tr>
<tr>
<td>Public safety</td>
<td>Infrastructure planning &amp; investment</td>
</tr>
<tr>
<td>Employee safety</td>
<td>Return on investment</td>
</tr>
<tr>
<td>Contractor safety</td>
<td>Demand side management</td>
</tr>
<tr>
<td>Advance and timely information</td>
<td>Innovation projects</td>
</tr>
<tr>
<td>Customer Service</td>
<td>Smart meters</td>
</tr>
<tr>
<td>Employee training</td>
<td>Environmental impacts</td>
</tr>
<tr>
<td>Vulnerable customers</td>
<td>Undergrounding overhead cables</td>
</tr>
<tr>
<td>Assistance to young carers</td>
<td>Carbon footprint</td>
</tr>
<tr>
<td>Community investment</td>
<td>Sulfur hexafluoride (SF6)</td>
</tr>
<tr>
<td>Fuel poverty &amp; energy efficiency</td>
<td>Oil filled cable leakages</td>
</tr>
<tr>
<td>Volunteering</td>
<td>Waste management</td>
</tr>
<tr>
<td>Business Transformation Project</td>
<td>Governance and investment plans</td>
</tr>
<tr>
<td></td>
<td>Financial sustainability</td>
</tr>
</tbody>
</table>
The discussions that take place with each of the groups of stakeholders are targeted to the specific areas of interest that these parties have and have tailored to their level of understanding. Figure 7.5 below provides an overview of the main issues and how we engage identified for each of the stakeholder groups.
Table 7.5: Main topics for each stakeholder group and how we engage
## Stakeholder Engagement Strategy

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Main topics</th>
<th>Examples of how we engaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers</td>
<td>Power cuts and restoration</td>
<td>Public consultation meetings</td>
</tr>
<tr>
<td></td>
<td>Advance and timely information</td>
<td>Customer Champions - Information Officers</td>
</tr>
<tr>
<td></td>
<td>Value for money service</td>
<td>Critical Friends Panel - Industry conferences</td>
</tr>
<tr>
<td></td>
<td>Disruption during streetworks</td>
<td>Newsletters/bulletins - Social media</td>
</tr>
<tr>
<td></td>
<td>Tree management</td>
<td></td>
</tr>
<tr>
<td>Industry Parties</td>
<td>Capacity and Demand Side Management</td>
<td>DG customer experience workshops</td>
</tr>
<tr>
<td></td>
<td>Competition in Connections</td>
<td>All DNO meetings on best practice</td>
</tr>
<tr>
<td></td>
<td>Sharing best practice</td>
<td>Competition in Connections Workshop</td>
</tr>
<tr>
<td></td>
<td>Streetworks</td>
<td>Critical Friends Panel</td>
</tr>
<tr>
<td>Government Interests</td>
<td>Regulatory requirements</td>
<td>Stakeholder Engagement annual report</td>
</tr>
<tr>
<td></td>
<td>RIIO-ED1 Business Plan</td>
<td>Local authority resilience forums</td>
</tr>
<tr>
<td></td>
<td>Streetworks</td>
<td>MP meetings &amp; updates</td>
</tr>
<tr>
<td></td>
<td>Smart meter roll out</td>
<td>Critical Friends Panel</td>
</tr>
<tr>
<td>Local Interest Groups</td>
<td>Energy awareness and efficiency</td>
<td>Vulnerable and fuel poor workshops</td>
</tr>
<tr>
<td></td>
<td>Fuel poor identification &amp; assistance</td>
<td>Customised workshops for young carers</td>
</tr>
<tr>
<td></td>
<td>Community investment</td>
<td>Power of Giving Fund</td>
</tr>
<tr>
<td></td>
<td>Improved communication</td>
<td>Articles in parish publications</td>
</tr>
<tr>
<td>Developers &amp; Engineers</td>
<td>Disconnections</td>
<td>Critical Friends Panels - Specialist forums</td>
</tr>
<tr>
<td></td>
<td>Investment ahead of need</td>
<td>RIIO-ED1 Business Plan consultations</td>
</tr>
<tr>
<td></td>
<td>Infrastructure planning &amp; investment</td>
<td>Key account managers</td>
</tr>
<tr>
<td></td>
<td>Applications - Time to quote - Time to connect</td>
<td>Face to face meetings</td>
</tr>
<tr>
<td></td>
<td>Price transparency</td>
<td></td>
</tr>
<tr>
<td>Environmental Groups</td>
<td>Undergrounding</td>
<td>Annual Business Carbon Footprint report</td>
</tr>
<tr>
<td></td>
<td>Carbon footprint</td>
<td>Critical Friends Panel</td>
</tr>
<tr>
<td></td>
<td>Sustainability</td>
<td>Partnerships with Wildlife Trust</td>
</tr>
<tr>
<td></td>
<td>Contributing to a low carbon economy</td>
<td>CSR and Sustainability report</td>
</tr>
<tr>
<td>Investors</td>
<td>Return on Investment</td>
<td>Face to face meetings</td>
</tr>
<tr>
<td></td>
<td>Governance and investment plans</td>
<td>Board meetings</td>
</tr>
<tr>
<td></td>
<td>Business Transformation Project</td>
<td>Teleconferences</td>
</tr>
<tr>
<td></td>
<td>Financial sustainability</td>
<td>Conferences</td>
</tr>
<tr>
<td>Employees</td>
<td>Leadership - Training</td>
<td>Leadership days</td>
</tr>
<tr>
<td></td>
<td>Giving something back</td>
<td>Roadshows - Team Briefs</td>
</tr>
<tr>
<td></td>
<td>Business Transformation Project</td>
<td>Employee engagement survey</td>
</tr>
<tr>
<td></td>
<td>Directorate specific topics</td>
<td>Company publications</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q&amp;A with executive management</td>
</tr>
</tbody>
</table>
For each session an issue for discussion within the topics set out above is identified. As highlighted in Chapter 6, this could be agreed either by identifying issues raised by stakeholders in other work areas e.g. customer satisfaction, or through presenting initiatives UKPN is looking to progress and inviting stakeholder views on these. Over time, stakeholders are likely to begin to identify issues that they wish to discuss and areas that they are keen to influence. Where this happens, UKPN responds to requests by placing relevant items on the agenda for discussion and ensures the messages that it presents are aligned with the key areas where focus was requested.

7.2.3 Frequency of engagement
UKPN also have a clear strategy for how frequently the engagement will happen to provide clarity to stakeholders about when they will need to prepare for these sessions. Where UKPN is able to provide a forward looking programme for engagement clarity over timings for the sessions will ensure that stakeholders are able to reserve relevant time in their diaries in advance and therefore make it more likely that stakeholders will be able to devote their resource to engagement.

UKPN have demonstrated that it has responded to the RIIO incentives which are intended to encourage a step change in behaviour. As such, UKPN is undertaking proactive discussions with a range of stakeholders to provide a meaningful opportunity for these parties to influence the direction of its thinking. To strike a balance between demonstrating a proactive approach and not overloading stakeholders, UKPN carried out ongoing stakeholder engagement every three months during the period that the RIIO business plan was being developed. It is equally important to demonstrate, on an ongoing basis, that stakeholders have opportunities to engage but also to recognise the resource impact this engagement has. As such, engagement should take place with each stakeholder group on a six monthly basis. Chapter 10 presents a detailed timeline for ongoing stakeholder engagement to support the RIIO business plan. To complement this, UKPN operates an ‘open door’ policy to allow stakeholders to approach UKPN on an ad-hoc basis to facilitate ongoing discussion. This ensures the accessibility of UKPN and enhances stakeholder perception with respect to the willingness of the company to ‘listen’ to their views.

7.2.4 Membership of stakeholder groups
Where ongoing engagement is successful, an effective ‘membership’ of stakeholder groups has emerged with participants that regularly attend sessions held by UKPN who have a good awareness of relevant issues. Where successful working relationships have developed and prospered over time, this has facilitated ongoing two-way dialogue between UKPN and relevant stakeholder groups. Where stakeholders become increasingly familiar with UKPN, they can voluntarily contact members of staff to request clarification of an issue or to raise a particular concern. This ensures UKPN is alerted to issues as they arise and allows them to proactively address the issues at workshop sessions.
The one exception to this rule will be in relation to domestic consumers. By their nature, these groups of stakeholders do not have a firm understanding of the energy industry and, to facilitate effective engagement with them, it is important for UKPN to prepare clear targeted briefings. If domestic consumers through participating in ongoing engagement with UKPN develop an in-depth understanding of the energy industry they will become unrepresentative of their stakeholder group. As such, it is important to regularly renew the composition of the domestic consumer stakeholder group after every three to four sessions. While this is more time consuming for UKPN as it has to re-educate a new selection of consumers, it ensures that the results of the engagement are representative. Over time, UKPN can also draw on efficiencies in using briefings and other materials previously utilised. This view is supported by Ofgem and can be illustrated by the approach it takes to the rotation of its consumer first panel.

UKPN also has regard to the size of various stakeholder groups. While attendance at the sessions can be sufficiently large to make discussions representative, there can be drawbacks where there are too many participants attending any one session. In particular, this could preclude active participation from some attendees. Recognising the importance of encouraging engagement from stakeholders and the positive impact that clear messages can have on the development of the business plan, UKPN has considered alternative formats of sessions to accommodate these parties. As such, instead of holding a session with 20 attendees, it has held sessions with c80 attendees where the focus of these sessions is on having a number of breakout sessions. This ensures that there is sufficient opportunities for all of the attendees to engage.

7.2.5 Need for ongoing evaluation
It is crucial for UKPN to learn lessons from its experiences in terms of elements of the strategy for engagement that work well and those that could be improved. This is set within the context that all of the DNOs will be 'competing' with one another to achieve a discretionary reward for stakeholder engagement. This emphasises the need for UKPN to innovate in its approach to stakeholder engagement, learning from its own experiences and the experiences of others to 'stay ahead of the pack'.

7.3 Making use of events held by representative groups
To complement this programme of engagement, UKPN explored other opportunities to raise awareness of its role, the initiatives it is taking forward and to solicit views on the development of its network from a more diverse range of stakeholders. To ensure it makes the most of available opportunities, UKPN:

- Developed an understanding of any associations representing the views of stakeholder groups that UKPN did not capture through its current engagement and determined whether it would be possible to attend and present at events or meetings that these associations host;
- Where it was not possible to attend their meetings or events UKPN explored the potential to distribute targeted leaflets to the sessions that these associations held to raise awareness of the work that UKPN is taking forward in seeking to engage with a range of stakeholders;

This ensures that UKPN makes use of events planned by other relevant bodies. This will not only provide an opportunity for UKPN to access a more diverse range of stakeholders with whom it may not otherwise be able to initiate contact but will also ensure that it is proactive in making use of forums already established
and seeking to minimise the resource impact on those parties with whom it wishes to engage. This element of the engagement programme aims to complement the events that UKPN holds. It remains important that UKPN also hosts its own events to demonstrate a proactive stance in seeking to engage with its stakeholders and ensures that there is a forum for parties not captured through association events.
8. Recording, assessment and response

To ensure there is clarity on the outcomes of the engagement process it is important that an effective recording process is in place. The outcomes of the process refer not only to the key findings from the engagement itself but also to the process of assessing options to address these issues and providing feedback to the stakeholders that took part in the discussions. Where each of these elements is recorded and effectively communicated to stakeholders it ensures that the value of the engagement is realised. It also demonstrates to stakeholders that UKPN has seriously assessed the issues raised demonstrating that the engagement represented a meaningful opportunity to influence the direction of their thinking on the future development of the network. Ultimately this encourages stakeholders to engage on an ongoing basis.

This chapter provides an overview of the principles to which UKPN adhere to when recording and effectively communicating the outcomes of engagement.

8.1 Context

The success of the programme of stakeholder engagement UKPN takes forward will be partially determined by Ofgem's view of the effectiveness of their strategy in facilitating the development of a well justified business plan. Although ongoing engagement will not specifically be carried out to feed into the RIIO business plan, the findings of this process should be used to influence UKPN's business development decisions which impact the RIIO business plans.

This highlights the importance that attached to recording, assessing and responding to the key messages derived from stakeholder engagement on an ongoing basis. Where there is clarity within UKPN about the engagement that has taken place in the past and the impact this has had on their decisions, it facilitates the effective development and presentation of a clear, succinct and considered narrative to Ofgem alongside the RIIO business plan. Where the narrative presents the key messages and highlights clearly and in a timely manner the impact that stakeholder engagement has had on UKPN's business development activities, this further highlights UKPN's success in responding to stakeholder needs.

8.2 Effective recording of engagement

To ensure that the true value of engagement is achieved, UKPN effectively records the key findings of the engagement it carries out. This:

- provides transparency on the messages that stakeholders communicated during the sessions and therefore allows UKPN to identify where future action may need to be focused;
- ensures cross-company transparency about the views that stakeholders have raised and allow colleagues to more easily highlight where action is needed on the basis of engagement allowing for increased accountability of UKPN employees responsible for specific actions; and
- ensures it is possible for UKPN to revisit views that were expressed at the session in the future to understand the key issues raised by specified stakeholders.
To facilitate these outcomes, UKPN has implemented a process to ensure the effective recording of stakeholder details, the form of the engagement that took place, the key findings of the engagement and any follow-up action, all recorded on a database. This information enables UKPN employees to revisit the relevant information prior to future engagement with any stakeholder, to understand any concerns that the stakeholder has raised in the past and to ensure they have clarity on whether it is possible to provide an update in this area. This obligation can be linked to the customer service objectives that have now been placed on all UKPN employees.

8.3 Effective assessment of views expressed

In its RIIO handbook Ofgem emphasised the importance it would attach to network companies being able to demonstrate they had effectively 'listened' to the views of their stakeholders and considered the extent to which they would be able to address any issues raised. Ofgem noted that engagement should provide stakeholders with a genuine opportunity to influence network company thinking and should not simply be taken forward as a public relations exercise.

To determine whether it is possible to accommodate the views expressed by stakeholders, it is important that UKPN effectively assess the issues raised and the options available to address them. Clearly the scale of the assessment should reflect the materiality of the issue raised and the potential for the issue to be assessed. The main requirement is for UKPN to be able to demonstrate the thinking, and any associated analysis, that was undertaken to support the decision it reached in deciding whether or not to initiate activities to address the issues raised by stakeholders.

8.4 Provision of feedback to stakeholders

To secure ongoing participation from stakeholders, UKPN needs to be able to demonstrate that it has effectively listened to views expressed and assessed the options available to address these. In effect, UKPN needs to be able to present feedback to stakeholders which summarises the process they adopted to ensure compliance with the steps outlined in Section 5 above.

UKPN has considered how to most effectively present this information and communicate this to stakeholders to give them confidence that their views have been taken on board in the decisions UKPN has taken on the future development of its network. Where UKPN has not been able to accommodate the views expressed by stakeholders, it is equally important to provide feedback to these stakeholders outlining why they are not able to address this issue and detailing the assessment carried out to reach this conclusion. To deliver against this requirement UKPN has implemented a process relating to the provision of feedback with which employees responsible for stakeholder engagement have adopted.

8.5 Supporting recording, assessment and response

Given the importance that UKPN attaches to the effective recording of findings from engagement, assessment of options to address views raised and provision of feedback to consumers, there are processes in place to ensure these steps are taken. Essentially this involves translating the principles outlined in this chapter into associated processes that have be embedded in the business.
These processes are complemented by the establishment of a stakeholder engagement steering group which meet on a quarterly basis. This group provides oversight of UKPN stakeholder engagement activities to ensure activities were coordinated and allow any issues to be identified and resolved and successes to be communicated to Ofgem. This helps to ensure stakeholder engagement continues to meet the objective outlined in Chapter 5.
9. Ongoing evaluation

Figure 5.2 highlighted the importance of continual evaluation at all stages of engagement to ensure that the programme adopted is delivering against the overall objective set out in Section 5 and to secure the ongoing success of the approach. This evaluation process facilitates adaptation of UKPN's approach, ensuring it capitalises on the elements that are working well and that it amends or removes elements that are not delivering desired outcomes.

This chapter presents the indicators that are used to assess the effectiveness of engagement to support ongoing evaluation and adaptation.

9.1 Indicators for evaluation

While it would be preferable to have a single indicator to evaluate the effectiveness of engagement, the subtleties of determining whether UKPN has provided stakeholders with a genuine opportunity to influence the direction of its thinking means it is unlikely that an absolute measure can be derived. Instead UKPN has assessed its stakeholder engagement performance using a range of indicators to allow an overall 'balanced scorecard' to be produced. This highlights areas in which UKPN is delivering effectively against the overall objective and areas in which it could improve. It will therefore facilitate adaptation of the approach.

It is likely that the process of evaluation itself will evolve over time as UKPN develops a greater understanding of the key elements that need to be in place to support a programme of effective stakeholder engagement. It is clear, however, an initial set of criteria outlined below is used by UKPN which will then evolve over time. Figure 9.1 presents a selection of criteria that is used to evaluate the approach to ongoing engagement that UKPN adopts.

Figure 9.1: Overview of the various methods of evaluation

The following sections provide a more detailed overview of the criteria used to guide UKPN thinking on appropriate adaptation of the process over time.
9.1.1 A survey of participating stakeholders

A clear way of determining whether UKPN has adopted an effective approach to engagement is to seek the views of those stakeholders who participated in the process. The questions focus on the quality and effectiveness of:

- the **process** UKPN adopted in seeking to solicit the views of its stakeholders; from the organisation of events (including the provision of timings and agendas) to the actual running of the sessions;
- the **targeted information** provided to stakeholders both before and during events;
- the **feedback** provided to explain how UKPN has sought to deal with the issues that stakeholders raised during the process of engagement;
- the overall process in providing a **meaningful opportunity to influence** the direction of UKPN thinking on the development of the network.

These measures provide a clear indication of the views of participating stakeholders with respect to the effectiveness of the approach adopted by UKPN. This step in the evaluation has been incorporated into the overall process of engagement and does not place an onerous burden on participants providing valuable feedback on effective ways to improve the sessions. In cases where stakeholders wish to provide more detailed feedback, UKPN ensures that routes are available to allow them to do so.

9.1.2 Endorsements for the process

At the end of each period of engagement, UKPN seeks to attain endorsements from the stakeholders that have participated in the process. Primarily these endorsements relate to the objective of engagement and indicate whether stakeholders agree that they have been given a meaningful opportunity to influence the direction of UKPN thinking or whether they do not consider this objective to have been fulfilled. This process is completed for all groups of stakeholders that have been engaged to determine whether there is a difference between the extent to which some groups perceive the engagement to be meaningful.

A basic statement highlighting stakeholder views on whether UKPN have met their overall objective for stakeholder engagement can be very powerful in terms of highlighting how far UKPN have progressed in continuously improvement of its strategy for effective stakeholder engagement.

9.1.3 Active contribution of participating stakeholders

It is possible that certain stakeholders may attend engagement sessions and not actually express any views at the session or actively contribute to the discussion. Where this happens, there may be limited benefit of the stakeholder attending the session. The only possible benefit would be an improvement in the level of understanding of the issues that the stakeholder had and a subsequent confidence to participate in discussions in the future. In some cases, certain parties may dominate the session and preclude other participants from engaging; an issue that should be overcome where the facilitator of the session has sufficient skills to address this including sufficient breakout or break periods throughout the session to allow other discussion and feedback where possible.
In both cases, a useful indicator would be to assess the proportion of participants that actively contributed to the session. This indicator should be reported over time to determine whether an improved understanding of the issues better equips them to engage and whether the skills of the facilitators are improving over time.

9.1.4 Assessment of the range of participating stakeholder groups

Ofgem has clearly articulated an expectation that network companies should engage with a full range of its stakeholders. The two indicators above focus on determining the effectiveness of the actual engagement that took place but the results of these tests could be biased depending on the stakeholders that participated in the process.

As assessment of the range of participating stakeholder groups provides an indication of the effectiveness of the UKPN approach in engaging parties interested in these issues. This assessment takes place over time to develop a picture of the UKPN ability to maintain interests in these engagement sessions. The retention of members of the group in this respect would provide an idea of the extent to which the sessions were targeted to the needs of stakeholders and the perception that stakeholders had that the engagement was meaningful.

Where there is evidence to suggest that a significant group of stakeholders have not taken part or that the retention of certain groups of participants is falling over time, UKPN implement initiatives to target these groups and address potential failings in the engagement process. To understand the reasons underpinning the limited interest in the sessions UKPN target these stakeholder groups through other means, e.g. meetings of representative stakeholder organisations, to better appreciate the issues they want to discuss or the best way to engage with these parties. This would ensure that in the future the findings of its engagement would be more representative of the views of the range of stakeholders that it should be considering.

9.1.5 Assessment of marketing approaches

The extent to which UKPN is successful in encouraging stakeholders to participate in engagement sessions will, in part, be dependent upon the quality of the materials that it distributes to these stakeholders and the medium it uses to inform stakeholders that events will be taking place. UKPN therefore assess the level of interest that it receives from stakeholders in response to the marketing materials that it uses. This relates to emails distributed to stakeholders inviting them to events, follow up phone calls that UKPN makes, leaflets that are distributed at events held by others, attendance at the events of other organisations and the marketing materials that are placed on the UKPN website. Where UKPN monitors the effectiveness of each of these methods, it is able to determine the relative level of interest that each has facilitated and therefore where its resource should be focused in the future.

The combination of each of these methods facilitates an effective evaluation of the approach that UKPN is taking toward engagement and therefore allow it to adapt its approach in the future to focus on those elements that are working well. It also allows UKPN to present its findings to Ofgem to demonstrate that it is constantly striving to improve its process and consider how it can be adapted in the future to capitalise on those elements that work well and amend those elements that are not delivering desired outcomes.
10. Way Forward

It is important that there is clarity within UKPN about the way forward in terms of the approach to ongoing stakeholder engagement. This chapter presents UKPN’s timetable and associated actions that need to be completed to begin the process of implementation of the ongoing strategy for stakeholder engagement.

10.1 Proposed timetable

For the approach to ongoing stakeholder engagement to be a success, UKPN will need to adhere to a transparent timetable for proposed events. This will ensure there is clarity both internally and externally about when resource will be needed and the corresponding steps for each party to achieve the overall objective of the engagement process. Figure 10.1 below outlines UKPN’s timetable of proposed events to ensure compliance with the approach to ongoing stakeholder engagement. Past events are also outlined indicating our progression over the years.

Figure 10.1 Timetable for ongoing stakeholder engagement
The timetable set out in Figure 10.1 above is based on the targeted approach to stakeholder engagement set out in Chapter 7. As such, it presents a series of targeted events for stakeholder groups with similar interests/understanding. At the events, the topics discussed are tailored to their interests.

The approach in Figure 10.1 above is gives a forward and backward view of future and past events and is intended to support, and feed into the development of the RIIO business plan. On an ongoing basis UKPN will need to strike a balance between giving stakeholder opportunities to engage and recognising the resource impact of this engagement for interested parties. In light of this, engagement takes place with each stakeholder group on a six monthly basis. To complement this, UKPN operates an ‘open door’ policy to allow stakeholders to approach UKPN on an ad-hoc basis to facilitate ongoing discussion.
To ensure the success of stakeholder events, there are some key requirements with which UKPN will need to ensure compliance in preparation for the sessions. These have been outlined in the previous sections but are summarised below for clarity.

- **At the outset of the period of engagement, UKPN must circulate a clear timetable and high level agenda for the engagement.** This will ensure transparency about when the sessions will be taking place and enable stakeholders to ensure their availability in advance. It will also allow UKPN to seek stakeholder views on the issues that should be discussed at the sessions.

- **At least two weeks prior to the session itself, UKPN should circulate a briefing to the stakeholder groups that will be attending the session.** The briefing should be targeted to the knowledge of the stakeholders and relate to the issues that are set to be discussed at the upcoming session. This will ensure that stakeholders are better equipped with the information to allow them to engage.

- The materials for the sessions should be prepared bearing in mind the knowledge of stakeholders and the issues they are most interested to discuss.

- **At the sessions themselves, effective facilitation will be crucial to success.** It will be important to ensure that all attendees are given equal opportunity to participate and, in cases where a party dominates a session, the facilitator should encourage engagement from other group members. This will ensure all parties achieve value from the sessions and see merit in ongoing attendance.

- **After the session it will be important to effectively record the key messages, assess the options available to address any issues raised and determine a way forward on this basis.**

- **To secure ongoing stakeholder participation, UKPN will need to ensure that it provides feedback.** In its feedback UKPN needs to explain how it will address any issues raised during engagement and, where it is not possible to address the issue, UKPN should present a clear rationale for this.

- **Ongoing evaluation will be crucial to refine the approach over time.** Ultimately this will help to ensure that UKPN continues to build on its experiences and that it strives to stay ahead of the pack in terms of the competition with other DNOs.

### 10.2 Taking engagement forward

Implementation of the RIIO framework provides a real opportunity for UKPN to differentiate itself from the other DNOs and position itself as a leader in stakeholder engagement. Where UKPN adheres to the steps in this plan and effectively delivers a programme of ongoing stakeholder engagement this should place the company in a better position. However, there are some other innovative elements of an engagement plan that UKPN also implemented to complement this.

- Development of an invitee-only section of the website providing a forum to facilitate discussion of contentious issues with stakeholders likely to have insights in this area.

- **The establishment of an internal blog to keep colleagues updated on developments that are taking place across the business.** This would facilitate knowledge transfer across the business but could require a significant amount of resource to be of value.

- Development of a presence on social networking sites such as twitter and Linkedin. This would draw on the positive experience of Thames Water which has used these types of innovative technologies to keep its stakeholders updated on progress with respect to particular incidents.
Each of these approaches would represent innovation in the way that UKPN has traditionally dealt with its stakeholders and could place UKPN ahead of the pack but would require significant resource.

Appendix 1: Further information on domestic and international best practice examples of engagement.

Engagement by WPD during DPCR5

During DPCR5 Ofgem assessed WPD’s approach to stakeholder engagement alongside all of the other DNOs. WPD presented its business plan to stakeholders seeking views on priorities and, to facilitate this, they personally contacted over 2,000 stakeholders by letter or email and held four events across their areas and in Westminster. At these events, they used a ‘thermometer’ system to rank the issues of importance to stakeholders. To complement this, WPD also attended and presented at the forums of other stakeholders e.g. the Confederation of British Industries (CBI).

In discussions with Ofgem, they highlighted that the response they received was better than they had anticipated outlining that the personal mailing had worked well and that their website had stimulated responses from stakeholders they did not contact directly. They also provided an overview of lessons learned and set out that they would look at different ways to engage with MPs, generators, suppliers and industrial customers in the future given the relatively low response from these groups.

Taking the messages from DPCR5 forward

WPD appears to have taken forward its commitment to continual engagement with its stakeholders following the messages it received during DPCR5 and, in terms of ongoing engagement, some of their elements can be seen as innovative. In particular, they launched a ‘customer awareness campaign’ which is intended to increase consumer understanding of the work they are taking forward to develop their network. It comprises an annual newsletter, newspaper adverts and a television advert, some of which UKPN has replicated.

Where this approach is successful it should facilitate effective engagement with consumers who have less knowledge of the energy networks by increasing their awareness of the issues. This is complemented by their annual stakeholder report which explains the role of distribution and presents network and financial performance in a format that is accessible to all stakeholders. They set their own targets for their performance on customer service which exceeds the guaranteed standards and this positions them positively with Ofgem. WPD have also been awarded a ‘louder than words’ accreditation for the typetalk access that they provide for customers and staff who are deaf or hard of hearing. They make available leaflets to stakeholders in Braille or on audio CD.

More widely, WPD proactively provides opportunities to its stakeholders to engage on an ongoing basis. They hold regular workshops on charging methodologies with the materials from these sessions made easily accessible on their website. In January 2010, they also held a series of workshops to update their stakeholders on the impact that the implementation of DPCR5 would have on their prices and business plan. In addition, they held an event in conjunction with the Centre for Sustainable Energy (CSE) and Regen
South West to discuss potential smart network projects. They provide contact details for stakeholders wishing to be informed of future events.

Other models of engagement
The complex nature of the utilities sector presents challenges for engagement with a range of stakeholders. Generally, for engagement to be meaningful, stakeholders need to have knowledge about the specific utility sector under discussion. This is especially the case for sector such as the energy networks which are not consumer facing and therefore this section focuses on examples of best practise from other utility sectors.

ETSA consultation on demand management
ETSA is a South Australian electricity distribution network with responsibility for transporting power to more than 820,000 customers. Under its licence ESTA is required to consider the role of non-network solutions to deliver capacity required to accommodate peak network demand on the network. To explore these options further in 2005 ESTA initiated a series of trials to assess the potential for demand management to reduce the need for investment to meet peak demands.

Recognising the need for cooperation from the communities it serves, ESTA took forward a comprehensive programme of engagement with a range of interested parties. This included the following elements.

The use of specialist consultants with the necessary skills to deliver complex messages regarding demand management to community groups in a format that was easy to understand

A public communications campaign designed to increase awareness of demand management initiatives and facilitate a positive perception of the work that ESTA was taking forward in this area. The campaign made use of the media as well as public speaking opportunities.

The development of a 'shopfront' at its head office to ensure information regarding the trials was easily accessible to the community.

Established an external advisory group comprised of a range of representatives from government, the private sector, social welfare groups and the air conditioning industry. This facilitated the provision of feedback on the demand management programme.

Seeking to collaborate with partners where possible to draw on synergies.

An ongoing communications and engagement campaign to inform the community of the benefits of demand management and the need for their involvement to deliver a successful programme.

4 The cases set out in this section are based on research presented in the document 'Potential scope for user participation in the GB energy regulatory framework, with particular reference to the next Transmission Price Control Review', available from: http://www.ofgem.gov.uk/Networks/rpix20/ConsultReports/Documents1/User%20participation%20Ofgem%20March%202009%20final.pdf
The provision of regular information and updates to interested parties including case studies to provide an overview of the benefits that demand management can deliver.

The programme of consultation and engagement has been perceived positively in terms of its success in bringing a range of stakeholders on board and raising awareness of the issues. There are a number of lessons that UKPN could learn from this example.

In particular, it highlights the importance of using a range of different methods to facilitate the involvement of a diverse group of stakeholders. Using various methods will ensure that a range of stakeholders are effectively targeted and this will deliver results from engagement that are more representative of all interested parties. Where possible, this engagement should be complemented with targeted information which will improve stakeholder understanding and allow them to make decisions from a more informed position. However, the provision of information effectively targeted to the needs of stakeholders will not necessarily be easy to achieve and this highlights the possibility to secure the skills of specialists in this area and to test targeted briefings with relevant groups of stakeholders prior to utilising them.

**Negotiated settlement in North America**

In North America cost of service regulation has traditionally been used to determine settlements for regulated utilities. The focus of the process to agree these settlements has largely been on litigation and case law which was considered to be relatively inflexible, expensive and time-consuming. The use of a negotiated settlement approach has emphasised engagement between a range of parties and allowed higher level discussions to take place, focusing on the overall outcomes from the settlement rather than each individual detail. The regime allows users and utilities to initiate engagement when they think an issue needs to be addressed and this often takes place when an agreement is set to come to the end of its application. Some jurisdictions typically agree the negotiated settlement without amendment while in others certain items have not been agreed and this has dissuaded use of negotiated settlement approaches in the future. It is open to all interested parties to attend and contribute to these sessions and, in cases, the regulator has sought to make reference to the needs of stakeholders unable to engage in sessions e.g. future users. Negotiated settlement has generally been perceived positively for its flexibility, scope, innovation and learning.

There are clearly lessons to be learned by UKPN from the negotiated settlement approach adopted in North America. In particular, the open invitation to stakeholders allows a range of parties to attend and participate in the sessions. However, this has also been a source of criticism as there are concerns that not all stakeholders are adequately represented at the sessions and this highlights the importance of seeking to target a full range of stakeholders at UKPN engagement sessions to ensure that the views of all groups are represented. The potential for settlements to be agreed with minimal amendment by the regulator also has read across to the RIIO model whereby under fast tracking the business plan would be subject to limited scrutiny and amendment.

Furthermore the need for grievance mechanisms for stakeholders as best practice has been recognised and adopted by UKPN.
Constructive engagement for airports in the UK
The Civil Aviation Authority (CAA) used a modified approach to the development of proposals for its most recent price control review which was applied from April 2008. The ‘constructive engagement’ approach adopted by the CAA was intended to allow the review to be based on discussions that took place between the airports and airlines.

In setting out its expectations for the process the CAA identified three categories of issues; those reserved for the CAA; those to be agreed between the CAA and stakeholders; and those to be agreed between the airports and the airlines. The CAA specified that where parties reached agreement on this third category of issues, it would accept the associated decision as long as the option would protect the interests of other affected stakeholder that had not been able to attend the meetings where the issues had been discussed e.g. future airlines and consumers. The CAA also indicated that where agreement on an issue could not be reached, the traditional price control process would be adopted.

Using this approach, price controls were agreed for Heathrow and Gatwick but there were difficulties in reaching a settlement at Stansted. As a result, there were conflicting views about the success of the approach but, in general, there was agreement that it provided opportunities for more meaningful engagement. It provided a forum for airlines to set out their views on service requirements and discuss the options with airports. This is a clear learning point for future stakeholder engagement strategies; it is important to provide genuine opportunities for stakeholder engagement which have the potential influence the direction of the companies thinking.

One of the biggest criticisms of the constructive engagement approach, however, was that it did not ensure the provision of targeted information from the airports to the airlines. In this respect, the sheer scale of material provided made it difficult for participants to understand the information and effectively participate. This emphasises the importance of providing targeted information to stakeholders to facilitate their understanding and is a clear lesson for UKPN in planning engagement.

Argentine Public contest model
The public contest model is used in Argentina and was originally adopted to facilitate the large scale replacement of electricity transmission infrastructure. It essentially places decisions regarding major asset expansions in the hands of transmission users rather than the regulator or transmission company. As such, where a transmission company is proposing to take forward a significant project, exceeding specified financial thresholds, it must identify relevant transmission users; defined as the ‘beneficiaries’ of a new line. The transmission company is required to provide relevant technical and supporting information to these users about the proposed development. The decision regarding the project is then subject to a vote and the support of 70% of the users is needed for the project to receive approval. Where projects are approved, they are then placed out to tender and the price of the winning bid will determine the charges users will be subject to.

This approach has been developed with the specifics of the Argentine electricity market in mind and legislative change would be needed to replicate any such model in the UK. However, while the model may
not be implemented in its entirety, there are elements of the approach that illustrate ways in which effective engagement can be achieved. In particular, the approach requires that all stakeholder groups are effectively represented in decisions taken regarding significant network expansions and that they are able to influence the decision on whether the proposals are progressed. This process therefore helps to ensure that those parties who will ultimately pay for this development are satisfied with the proposed approach. There may be lessons for UKPN in identifying the full range of stakeholders and ensuring that they have meaningful opportunities to influence decisions through engagement that takes place.

**EDP Stakeholder Engagement approach**

EDP are the current DJSI Utilities Sector winner for 2013 and generate, distribute and supply electricity globally together with other business functions. They have developed a stakeholder consultation process which clearly identifies progress on engagement with stakeholder categories over time and dialogue with specific stakeholders on relevant topics including what actions they have undertaken as a result of feedback. They also use AA1000 for auditing their approach and report on their performance using globally recognised reporting frameworks such as the Global Reporting Initiative sustainability reporting standard. UKPN have looked at their engagement strategy in devising and updating their plan.