UK Power Networks
Stakeholder Engagement & Vulnerable Customer Strategy
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Strategy
This document sets out UK Power Networks’ strategy for engaging with our stakeholders and vulnerable customers in a continuous, consistent and substantive manner.

UK Power Networks vision is to be an employer of choice, a respected corporate citizen and sustainably cost efficient. High quality engagement is fundamental to achieving UK Power Networks’ goal of becoming the best DNO by 2018/19.

It is vital that we have clear and up-to-date knowledge of what our stakeholders really want from us, and that we use this knowledge to help shape and focus the company's business decisions especially as we set out to achieve the commitments detailed in the RIIO-ED1 Business Plan (2015-23).

Stakeholder engagement is a long-established principle of good practice, in corporate governance and business management, across the public and private sectors. There is an extensive body of evidence to demonstrate the business performance benefits from good stakeholder engagement.

Good stakeholder engagement is also a core requirement of corporate social responsibility, and essential to maintaining and enhancing our corporate reputation. As a regulated business providing essential services, UK Power Networks has a wide range of stakeholders who expect open, constructive and proactive engagement with them.

The importance of stakeholder engagement is strongly reflected in the regulatory framework set by Ofgem. The RIIO Strategy emphasised the need for DNOs to engage stakeholders fully in preparing their business plans for the ED1 period, and on an ongoing basis afterwards. Accordingly, the Licence framework for the ED1 period contains clear obligations and incentives designed to ensure DNOs continue to engage stakeholders effectively: in particular through the Stakeholder Engagement Incentive Scheme and the Incentive on Connections Engagement, as well as through the obligation to report to stakeholders annually on company performance against ED1 business plans.

Furthermore, to highlight the importance of stakeholder engagement and place special emphasis on engaging with vulnerable consumers (contact with and engagement of this stakeholder segment was historically poor for all DNOs), Ofgem renamed the Stakeholder Engagement Incentive Scheme into Stakeholder Engagement and Consumer Vulnerability Scheme and raised the amount of incentive available to £5.2million.

The fundamental purpose of engagement is to provide a more informed basis for management decisions, which, in turn, will lead to improvements in business strategy, operations and services.
UK Power Networks has a number of strengths when it comes to engaging with its diverse stakeholders. As in any organisation, much of stakeholder engagement at UK Power Networks takes place on an ad hoc basis, in one-to-one or small group meetings and informally, and does not require substantial planning and management.

However, maximising the benefits of stakeholder engagement across any large business requires clear leadership, organisational buy-in and fit-for-purpose processes. Maximising the benefits of stakeholder engagement is the overarching objective of the Stakeholder Engagement Strategy. This Strategy focuses on how to manage our more substantial stakeholder engagement projects and activities; those which are designed to meet UK Power Networks’ corporate priorities and strategic objectives, as well as the overarching responsibilities to our stakeholders.

At UK Power Networks, stakeholder engagement takes many forms and, in line with best practice, it is not outsourced but undertaken by staff throughout the company. More information on stakeholder engagement policy and the division of responsibilities can be found in Stakeholder Engagement Policy CS 00 004 and Stakeholder Engagement Policy Statement CS 00 004a.

**Defining stakeholders and engagement**

In this Strategy, stakeholders are defined as:

“Any individual, groups of individuals or organisations that affect, or could be affected by UK Power Networks’ activities.”

In this Strategy, stakeholder engagement is defined as it is in the ISO 26000 standard:

“Activity undertaken to create opportunities for dialogue between an organisation and one or more of its stakeholders with the aim of providing an informed basis for the organisation’s decisions.”

As a major utility company providing essential services to over 8 million customers, including the capital, UK Power Networks has a wide range of stakeholders. In addition to our domestic consumers, our customers include vulnerable people, fuel poor customers, businesses of all types and sizes, central government, local authorities, special interest groups and many others.
UK Power Networks invests in stakeholder engagement in order to:
- meet our stakeholders’ expectations of responsiveness and accountability from us;
- provide a more informed basis for management decisions, which in turn lead to improvements in strategy, operations and services. Stakeholder engagement should ultimately provide benefits to customers and other stakeholders through enhanced services or lower costs; and
- influence stakeholders whose actions could affect UK Power Networks’ performance.

Some engagement activities prepare the ground: building relationships, understanding stakeholders’ concerns and priorities, helping our stakeholders to understand us. Some activities focus on specific issues, exploring problems and opportunities. Others seek feedback on our performance or on specific plans or proposals. Whatever the style or type of activity, stakeholder engagement is fundamentally about helping us perform better for the benefit of our customers.

**Strategy objectives**

UK Power Networks’ stakeholders are diverse, with different needs and interests, varying levels of knowledge and engagement and different communication preferences. **We have a responsibility to engage with the whole stakeholder community, and tailor engagement to different groups.**

This Strategy aims to ensure that:
- we understand what our stakeholders, fuel poor and vulnerable customers want from us and what they think about our performance, and that we use this knowledge to help us improve our strategies, operations and services;
- we design and implement business changes taking into account and, where appropriate, directly addressing the interests and preferences of stakeholders;
- when we design and implement business changes which affect vulnerable and fuel poor customers, their interests and preferences are understood and addressed;
- help to vulnerable and fuel poor customers across UK Power Networks is effectively prioritised and co-ordinated to make most efficient use of both our own resources and of stakeholders’;
- stakeholder engagement activity and our vulnerable customer engagement is aligned with UK Power Networks’ strategic objectives and priorities;
- we clearly demonstrate our responsiveness to stakeholders and vulnerable customers, and the benefits resulting from our engagement with them;
- there is a clear focus on the costs and benefits of engagement activities in planning, decision making, monitoring and evaluation;
- stakeholder engagement is progressively embedded within the business;
- there is appropriate long-term planning and continuity of effort to deliver maximum benefits over time; and
- best practice is disseminated and expertise leveraged effectively across the company.

**Delivering the Strategy**

The operational content of the Strategy is structured around a core operating model which sets out the principles for the business arrangements, processes and guidelines for the more substantial and formal stakeholder engagement activities and initiatives that UK Power Networks undertakes.
The core operating model is organised into five stages which create a ‘virtuous’ circle:

1. **Understand stakeholders and vulnerable customers and prioritise issues**: This stage is about segmenting and profiling stakeholders, mapping their interests and maintaining up-to-date knowledge of their interests, as well as prioritising issues according to materiality and the potential to deliver benefits.

2. **Plan and prepare engagements**: This is a research and planning stage that aggregates issues into themes, and aligns resources and activities with the wider business objectives and priorities.

3. **Engage in focused ways**: This stage is about targeted engagement, undertaking planned activities on time and delivering them with a clear focus on cost/benefit analysis, using approaches suited to the objectives and the stakeholders involved followed by opportunities for participants to provide feedback.

4. **Respond with business changes which deliver benefits**: This stage focuses on actions resulting from stakeholder engagement and feedback: specifically, making informed business decisions, implementing changes and tracking results to demonstrate benefits.

5. **Evaluate outcomes and report back**: This stage is about evaluating the effectiveness of engagement activities by, among other things, assessing benefits that came about as a result of engagement, and reporting on these outcomes to stakeholders in a clear and consistent manner.

To be effective, stakeholder engagement must be ongoing, planned in advance and linking to the longer term company strategy.

Two elements are worth special attention in this context:

- **Good governance** to facilitate delivery and enable clear leadership, to provide weight, credibility and visibility to engagement with external (often senior) stakeholders and leverage good practice across the business.

- **Learning and dissemination** to look outwards to best practice standards and exemplars, share new ideas and thinking, and exploits opportunities for collaboration.
Guiding principles
In line with established standards and good practice, the Stakeholder Engagement Strategy aims to ensure that UK Power Networks’ approach to stakeholder engagement adheres to the key principles of:

- **Inclusiveness**: identifying and involving the full range of stakeholders;
- **Materiality**: engaging with stakeholders on issues in which they have a material interest and that are within our power to influence;
- **Responsiveness**: committing to respond to stakeholders’ views and opinions;
- **Transparency**: reporting transparently on our business and stakeholder activities, and ensuring that the style and content of communications are appropriate to the intended audiences;
- **Value for money**: making best use of resources and evaluating impacts.

Managers of stakeholder engagement projects and activities across the business should ensure that they adhere to these principles. The Stakeholder Engagement Team is available to provide advice and support to engagement managers as required.

This Strategy aligns with AA1000 International Standard for Stakeholder Engagement. Under the Stakeholder Incentive Scheme, Ofgem encourages DNOs to obtain an independent external audit of the stakeholder engagement arrangements. UK Power Networks uses the AA1000 Standard as the reference standard for these audits.

Scope
This document sets out UK Power Networks’ strategy for engaging with our stakeholders.

Exclusions
This Strategy does not address engagement with employees. While our employees are key stakeholders, UK Power Networks has a separate specific strategy for employee engagement, led by HR.

Interfaces with other external communications
Stakeholder engagement has different objectives from:

- corporate communications activity: essentially one-way communications to disseminate information and messages to the public or sections of the public;
- public affairs: activity to influence other parties whose activities either affect or could affect UK Power Networks’ interests.

Note: There is a potential for such activities to overlap with stakeholder engagement activities, and these overlaps need to be managed to avoid potential inefficiencies. Good governance plays a significant role in managing these interfaces.