



AccountAbility

Setting the Standard for Sustainability

PREPARED FOR

Mr Neil Madgwick
Head of Connections Service Delivery
UK Power Networks Connections

DATE

May 18, 2018

**UK Power Networks' Incentive on Connections Engagement
Service Development Plan: Looking back & forward report 2018
Assurance**

Dubai

London

New York

Riyadh

Zurich

ENGAGEMENT SUMMARY

AccountAbility was engaged by UK Power Networks (UKPN) Connections to provide independent assurance related to its Incentive on Connections Engagement (ICE) Service Development Plan: Looking back & forward report 2018. This report presents our opinion as an independent assurance provider.

Scope of the Engagement

UKPN Incentive on Connections Engagement Service Development Plan - Looking back & forward report 2018, as well as a review of UKPN Connections stakeholder engagement policies, systems, controls, procedures and performance, in accordance with the AA1000 AccountAbility Principles (2008).

Assurance standard

The assurance engagement was undertaken in accordance with the principles and requirements established in the AA1000 Assurance Standard 2008 (AA1000AS).

Assurance Level

We have provided moderate level (Type 2) of assurance based on the AA1000 Assurance Standard (2008).

Our Responsibility

Our responsibility is to conduct a moderate level (Type 2) assurance engagement based on the scope and procedures outlined to UKPN's management and draw conclusions based on the work undertaken.

UKPN's Responsibility

UKPN is responsible for preparing the 2017/18 Incentive on Connections Engagement (ICE) Service Development Plan report, as well as the related tasks and activities including the collection, analysis and presentation of data and information contained in the Plan.

Our Assurance Procedures

We have performed the following procedures to draw conclusion to our Report:

- Interviews with management and relevant staff to understand UKPN Connections engagement strategy, governance, senior level commitment and associated policies and internal systems, controls and procedures;
- Interviews with management and relevant staff to review the planning and preparation of the organisation's 2018/19 ICE Workplan, and the implementation and monitoring of a selected sample of stakeholder engagement activities of the organisation's 2017/18 ICE Workplan;
- Interviews with a selection of external stakeholders to understand their involvement in the development of the 2018/19 ICE Workplan, and how UKPN responds to them on Connections initiatives from the 2017/18 ICE Workplan;
- Enquiring, collecting and inspecting documentary evidence and management representations that support adherence of company activities to the ICE Service Development Plan: Looking back & forward report 2018 and the AccountAbility Principles of Inclusivity, Materiality and Responsiveness;
- Reviewing the content and presentation of information relevant to the scope of our work in diverse company Stakeholder Engagement Reports and on the company website to ensure consistency with our observations.
- Reviewing the accuracy and completeness of content in UKPN's ICE Service Development Plan: Looking back & forward report 2018 to align with our evidence.

Our Conclusions

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that UKPN has not, for the Ofgem regulatory year 2017/18:

- Developed engagement policies, systems, controls and procedures to adhere to the AA1000 AccountAbility Principles (2008);
- Performed stakeholder engagement activities to adhere to the AA1000 AccountAbility Principles (2008); and
- Published accurate data and information in the ICE Service Development Plan: Looking back & forward report 2018.

Inclusivity: UKPN ensures the participation of stakeholders in developing and completing the activities in its 2018/19 ICE Workplan.

Materiality: UKPN has procedures in place to determine the relevance and significance of topics to stakeholders, as a basis for developing its 2018/19 ICE Workplan.

Responsiveness: UKPN delivers on its 2018/19 ICE Workplan and effectively communicates outputs, actions and progress to stakeholders through a variety of communication channels.

Key Strengths

Based on our procedures, we have identified several key strengths in relation to the AA1000 AccountAbility Principles (2008) for UKPN's ICE Service Development Plan: Looking back & forward report 2018:

Inclusivity

- Outputs from ICE stakeholder engagement activities are effectively used to provide insights into Connections business priorities and guide the Connections business strategy;
- UKPN undertakes analysis to clearly understand its key stakeholder groups across all four Connections market segments. These are accurately profiled in the ICE Service Development Plan: Looking back & forward report 2018;
- UKPN has developed a robust process to systematically involve stakeholders in the development of its 2018/19 ICE Workplan; and
- The organisation successfully utilises a diverse range of engagement methods to interact with stakeholders to meet different stakeholder needs, including scrutiny panels, forums, surgeries, workshops, surveys and meetings.

Materiality

- UKPN formally integrates a process to prioritise Connections initiatives into its annual Connections engagement strategy;
- During dedicated forums and workshops, stakeholders are provided with the opportunity to suggest ideas, and to rate the importance of potential Connections engagement initiatives as part of the 2018/19 ICE Workplan;
- Dedicated scrutiny panels for each of the four UKPN Connections market segments, consisting of representative and informed stakeholder groups, are used as a means to validate the outcomes from the prioritisation process of the 2018/19 ICE Workplan initiatives;

- The prioritisation lists of the initiatives included in the 2018/19 ICE Workplan provide a fair and balanced portrayal of stakeholder views aggregated from the diverse stakeholder engagement forums and workshops undertaken;
- UKPN uses effective tools and systems to ensure the company accurately and consistently captures the stakeholder input and importance rating of the proposed Connections initiatives in each Connections market segment.

Responsiveness

- The organisation has in place a process to develop responses to its yearly ICE Workplan in an appropriate and timely manner. External stakeholders highlight that they have confidence in UKPN's ability to successfully deliver initiatives in a timely manner;
- UKPN sets tangible goals to support the implementation of initiatives. The organisation uses SMART targets, which are clear, relevant and achievable, to ensure initiatives are completed in a timely manner;
- UKPN leverages the outcomes of the initiative prioritisation process to respond effectively to stakeholders, with initiatives rated as 'High', being prioritised above others in the yearly ICE Workplan;
- UKPN demonstrates strong senior management commitment and engagement in its response to stakeholders on its yearly ICE Workplan and related initiatives. This has been highlighted by external stakeholders;
- UKPN engages with diverse and relevant internal functional teams to ensure initiatives are achievable with the resources available, before delivering on a Connections initiative;
- UKPN communicates the achievement of its 2017/18 ICE Workplan initiatives to stakeholders in an effective manner through a range of channels, utilising reports, newsletters, digital and website platforms and face-to-face meetings.

Observations and Recommendations

Without affecting the conclusions presented above, we have the following observations and recommendations:

Inclusivity

- UKPN does not have formalised processes to ensure diversity and equal representation of relevant stakeholder groups present on its scrutiny panels. UKPN could consider the development of simple stakeholder selection criteria for these panels, for example diversity, level of seniority, technical expertise, and willingness to engage. This would support the panels as a continued effective, legitimate and consistent engagement mechanism to validate the Connections ICE Workplan and priority initiatives;
- Partly given the success over the last few years of UKPN's Connections initiatives realised, we observed that the company is experiencing a slowdown in the quantity of stakeholder input and ideas to the yearly ICE Workplan development process, notably in forums and workshops. It is recommended that UKPN more effectively leverages the strong relationships it has developed with its stakeholders to capture ideas and input through 1:1 telephone and in-person conversations. This input should formally flow into the yearly ICE Workplan development process for all four market segments.

Materiality

- The 2018/19 ICE Workplan initiative prioritisation process is heavily based on the stakeholder feedback at forums and workshops in the first quarter of the calendar year. We recommend UKPN develops a formal process to capture the views of relevant stakeholders who may not be present during forums and workshops.

18th MAY 2018

- UKPN provides stakeholders with the opportunity to suggest new Connections initiatives on top of those proposed at stakeholder forums and workshops. However, any new suggestions forthcoming do not currently form part of the existing ranking and prioritisation process from stakeholders. Although it is acknowledged that new ideas require some time and internal reflection on how they are formulated, it would be recommended to add some flexibility to the current approach to gain immediate stakeholder perspectives at the dedicated forums and workshops.

Responsiveness

- UKPN systematically monitors the achievement of and outcomes of Connections initiatives on the 2017/18 ICE Workplan, however, the organisation does not systematically measure the value or benefit of each initiative. UKPN is recommended to introduce relevant metrics during the initiative planning stage to monitor the overall value and benefit on completion. The benefit may be measured in relation to UKPN business, to the stakeholder, to the customer and to broader society.
- UKPN undertakes a formal process to identify sufficient and appropriate resources to execute Connections initiatives, however, this often takes place after the stakeholder prioritisation process. It is recommended that UKPN systematically assesses the resource requirement of each Connection initiative with relevant internal functions (e.g. IS and Asset Management) before the dedicated stakeholder forums and workshops to prioritise initiatives take place. This would mitigate any potential risk of the company not being able to meet the timeliness of promised initiatives.