

## Report on the RIIO-T1 Stakeholder Engagement Scheme 2013-14 – Transmission Operators

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This document summarises the results of the 2013-14 Transmission Stakeholder Engagement Scheme.

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### 1. Introduction

- 1.1 Under the transmission price control (RIIO-T1) significant stakeholder engagement is expected. To facilitate this we have a suite of measures to incentivise transmission operators (TOs). This includes a specific incentive to reward high quality outcomes in becoming more outward facing and responding to the needs of their stakeholders.
- 1.2 The key aim of the stakeholder engagement scheme is to encourage TOs to be more responsive to changing stakeholder needs. The incentive is designed to financially reward companies where their engagement leads to high quality outcomes.
- 1.3 The scheme provides an annual reward of up to 0.5% of annual allowed revenues per TO. The allocation of this reward is based on an assessment of TO activities by a panel of independent experts, which is chaired by Ofgem. Last year was the first year of running the scheme for the TOs and this was on a trial basis with no financial reward.

### 2. The assessment process

- 2.1 On 30 April 2014 we published guidance notes setting out the assessment process for this scheme.
- 2.2 The TOs submission is split into two parts. The first part is to demonstrate a robust engagement strategy is in place. This includes showing an understanding of who TO stakeholders are and how best to engage with them. It should demonstrate governance arrangements which ensure stakeholder feedback results in meaningful impacts, both within and outside the business. Part two of the submission is evidence of the outcomes of the engagement process.
- 2.3 The guidance notes set out the minimum requirements each submission must meet. Ofgem staff review the submissions against these requirements. The submissions which meet these requirements are then invited to a question and answer session with the panel.
- 2.4 The panel use a scorecard to assess the quality of the submissions and the presentation. The panel award each TO a score out of ten based on this assessment. The score is then used to derive the proportion of the overall financial incentive available for each TO. The panel also provide group and individual feedback for the TOs. All the companies subsequently meet with Ofgem staff to receive more specific feedback.

### 3. The submissions and the panel session

- 3.1 On 30 May 2014 we received the submissions from all four TOs. Following our internal assessment of the submissions we concluded that all four TOs had

passed the minimum requirements. It should be noted that in the previous year of running the trial, only one out of four TOs passed the minimum requirements.

3.2 This year's panel was made up of experts from a range of backgrounds, chosen for their skills and expertise in communications and understanding business relationships. This experience included stakeholder engagement across the public, private and charity sectors. The panel members were:

- Philip Cullum, Partner Consumer and Demand-side Insight, Ofgem (Chair)
- Colin Browne, Consultant, Colin Browne Strategic Communications
- Andrew Whyte, Director, Kingsnorth Communications
- Alexander Ehmann, Head of Government and Parliamentary Affairs, Institute of Directors
- Marieke Dwarshuis, Former Director, Consumer Focus Scotland
- Allen Creedy, Chairman, Federation of Small Businesses' Environment, Water and Energy Committee.

3.3 The companies were invited to attend the panel session on 10 July 2014.

#### 4. General panel feedback to the TOs

4.1 The Chair thanked all of the TOs for their commitment to stakeholder engagement and acknowledged that their strategies to some degree remain works in progress but all are heading in the right direction. The Chair encouraged all TOs to:

- Give greater consideration to the desired outcomes of their engagement and capture the benefits that stakeholder engagement delivers.
- Better consider the long term, strategic issues facing the organisation and how stakeholder engagement could be used to address them.
- Think more strategically about when they could engage with stakeholders as an industry.

4.2 The panel made the following key points to all TOs:

- The panel welcomed the improvement that all companies made this year. The panel considered that all companies now had a good strategy for engagement.
- The panel were disappointed that most engagement appeared to be transactional and driven by the needs of the TO. For example, the panel considered that the TOs engage well for planning permission purposes.
- The panel considered that the TOs need to engage with a wider range of stakeholders.

#### 5. The panel scores for the TOs

5.1 The panel awarded the following scores out of 10 for each of the TOs:

Company	Score
NGET	5.75
NGGT	5.75
SHE Transmission	5.4
SP Transmission	4.9