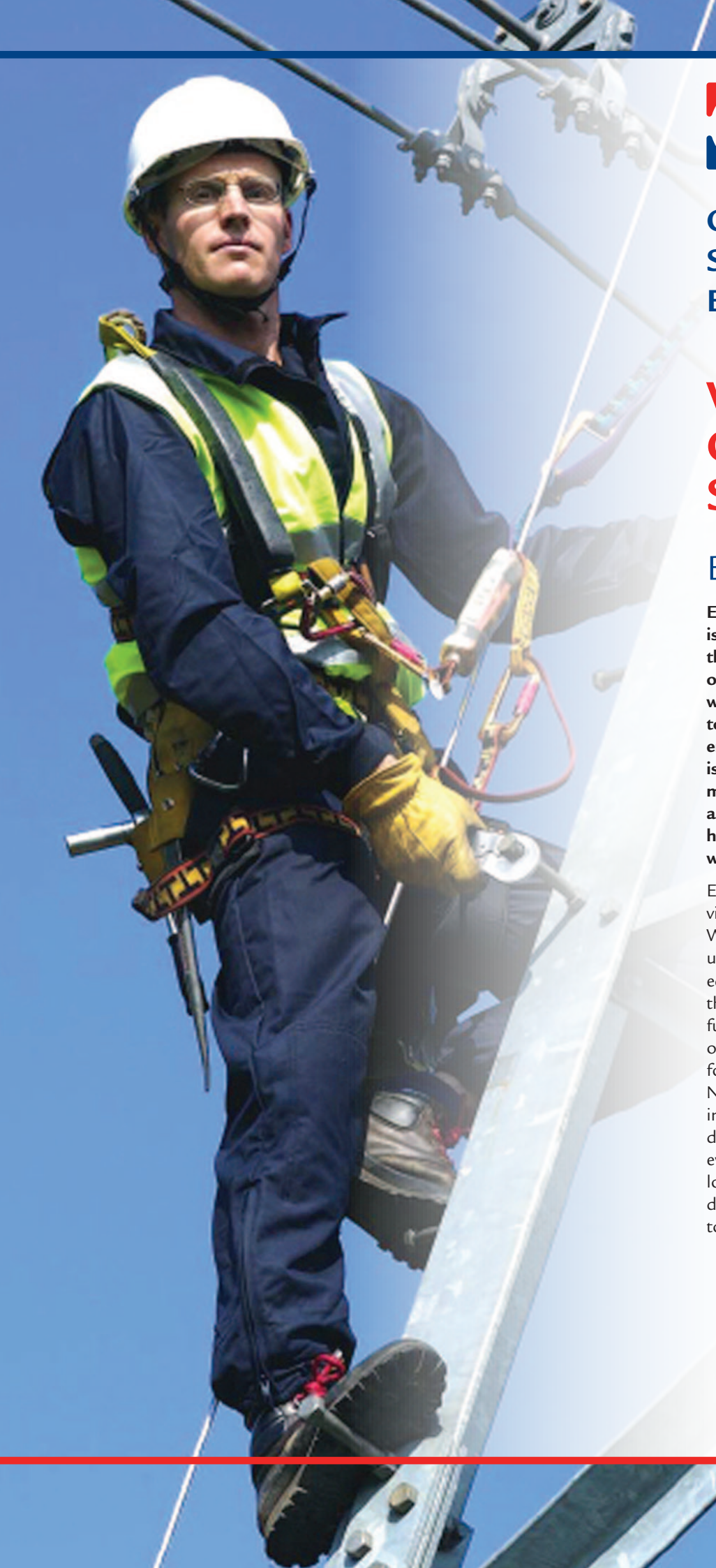

Electricity North West Limited

Customer Reward Scheme Application Electricity North West

Wider Communication Strategies

Background

ENW believe that corporate responsibility is about living the values and principles that govern the way we operate as an organisation and behave as individuals within the communities we serve. We wish to be customer led therefore, customer empowerment and clarity of communication is crucial if we are to encourage people to make informed choices in order to achieve a sustainable future. Valuing innovation we have sought to develop new ways to engage with our stakeholders.

ENW are keen to understand stakeholders views on the role we should take in the North West. We utilised this approach to focus upon the development of the low carbon economy and the potential for changing the role of distribution businesses in the future. Continuing the successful series of stakeholder engagement events and forums undertaken in partnership with the North West Energy Council that started in April 2007, ENW included a specific debating session into the stakeholder event in September 2009 on "Facilitating a low carbon future" in which stakeholders debated "What more should ENW be aiming to do for the future low carbon economy"?

STAKEHOLDERS TOLD US:

- There is a need for more information and support on issues such as network availability network constraints and for the further education of planners and developers
- They would like more advice on low carbon options and the impacts on the electricity network
- Embedded Generation should be embraced and actively encouraged
- Renewable energy and the development of low carbon technologies are seen as an important economic opportunity for the North West.

STAKEHOLDERS WERE KEEN FOR ENW TO CONSIDER:

- Getting involved in the establishment of community ESCOs
- Investment in Combined Heat and Power and district heating/cooling through partnerships with local authorities
- Investing in renewable energy generation as an alternative to network reinforcement

Inspired by stakeholders to seek out alternative methods of developing "Low Carbon Networks" we saw an opportunity to lead by example and live the values set out in our CSR strategy. This was demonstrated by undertaking significant investment in advance of the availability of funding through the "Low Carbon Network Fund".

Demand Side Management (DSM) is an important component in the development of Low Carbon Networks. Renewable generation is less flexible than traditional fossil fuel sources of electricity. Technologies and commercial arrangements such as DSM that enable flexibility in electricity usage are a key enabler of low carbon electricity generation.

CUSTOMER ENGAGEMENT ON DSM

We took the innovative step to actively engage with customers in order to both understand their needs and identify opportunities where the deferral of network reinforcement could potentially benefit both ourselves and the customers. This culminated in identifying a number of DSM services. The two basic DSM services we wanted to discuss directly with customers were Demand Reduction* or Fault Response. The delivery mechanisms for the service could be either an actual reduction in electricity usage or use of local generation. A number of commercial customers were identified who could potentially provide DSM services to us, in specific geographical areas.**

This move, supported by our teams ability and freedom to be innovative and "think outside the box" when addressing the needs of our customers, ensured that this initiative was a major step forward in the development of "Low Carbon Networks" and as a consequence we commenced the first DSM trial undertaken by an electricity distributor in Great Britain.

Our stakeholder engagement continued throughout the year, culminating in the launch of our Smart Grid Vision to North West stakeholders (see supporting evidence).

CASE STUDY – DEMAND SIDE MANAGEMENT TRIAL 2009/10

Whilst ENW had outline ideas of the DSM services it required and how much these services were likely to be worth to us, we did not know whether these would appeal to the customers or whether they would be prepared to offer any services for the sums of money that were likely to be available. We embarked on direct research with the potential customers to enable us to develop a DSM product that was attractive to customers and provided network benefits.

STAGE 1 - COMMUNICATION STRATEGY

The communication strategy ENW adopted was as follows:

- An initial introductory letter from ENW
- A face-to-face interview
- Refinement of proposals to reflect customer feedback
- Further discussions and contractual commitment
- Provide feedback to customer on their response

As this clearly demonstrated, engaging at a grassroots level with the communities we serve was fundamental in developing an approach that had the flexibility to be applied to ***three*** target areas covering ***thirteen*** diverse commercial customers all with specific development needs. It was also important to ascertain what the customer's motivation was when initiating engagement with ENW and, more importantly, how they might be provided with a tangible return for their participation.

ENW's trial actively sought out a broad range of opinions and feedback on the concept of DSM services that can be used to develop a sustainable progression plan for the future.

STAGE 2 –CONTRACTUAL COMMITMENTS

Having developed a better understanding of how Demand Side Management services might work for customers and electricity providers in theory we decided to test this concept in practice. This element of our approach prompted the creation of the industry's first Contractual Agreement for DSM in GB between a distributor and a customer and allowed ENW to provide regular feedback to the customer on their performance and ongoing commitment.

At the trial with a quarry in Buxton, Derbyshire using the Demand Reduction principle the owners worked with their workforce to reduce electricity usage at peak periods, thus avoiding the need for investment in new network assets. Through negotiation a detailed price and incentive schedule was developed for the DSM service and the contract was signed in time for operation through the winter demand period in 2009/10.

PERFORMANCE FEEDBACK

As part of the DSM contract, ENW provided regular feedback to the customer on their performance. This was particularly important as the payments made to the customer would be reduced if they failed to provide the contracted services. An extract of the information provided to the customer on a regular basis is shown below. Dissemination to peers within our industry was promoted at the International Energy Agency conference (*www.ieadsm.org/Content.aspx?ID=7*).

THE WAY FORWARD

ENW has recognised that it needs more direct engagement with its customers to understand their needs in order to meet the challenges presented by the move to a low carbon economy. The communication strategy adopted in this exercise deliberately avoided the established supplier hub principle in order to build a more direct customer interaction. The information obtained on customer requirements has also enabled us to develop our thinking in respect of DSM and we are now in advanced discussions with a potential partner offering more sophisticated products which would address additional issues raised by our customers and be capable of more widespread deployment. In this model we would contact with a service provider for the DSM services, who in turn would contract with customers. The service provider can also provide additional services which make DSM more financially viable. We aim to trial this next stage in 2010-11 periods.

The success of the DSM trial has inspired ENW to actively nurture and develop new partnerships in order to extend our programme. The need to innovate and educate has culminated in a portfolio of corporate businesses and industries throughout our network with whom we have started to discuss these issues as well as a strengthened and directly engaged stakeholder network.

SUMMARY

ENW have embraced the move to low carbon economy and the essential role low carbon electricity distribution networks must play if this is to be achieved. DSM is an essential component of low carbon networks but requires customer engagement for it to work. Our communication strategy and proactive customer engagement has started to make DSM a realisable goal on the road to a low carbon future.

** Where the customers reduce their use in pre-defined period when the network was heavily loaded.*
***Where customers reduced their usages at short notice, if required, should a fault occur.*

Customer Reward Scheme Application
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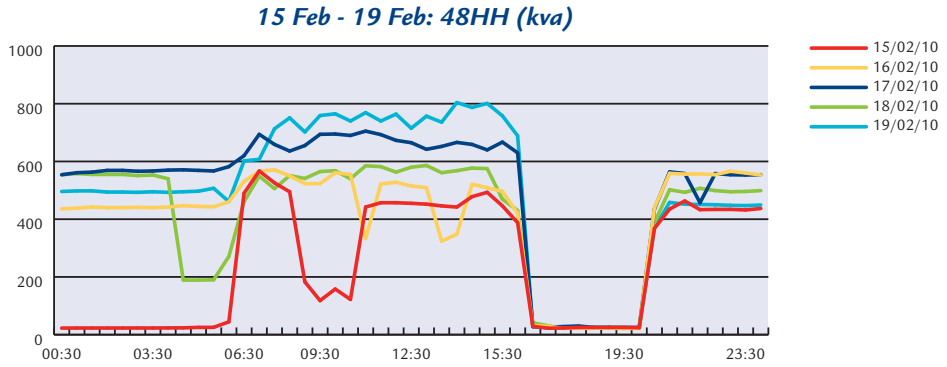
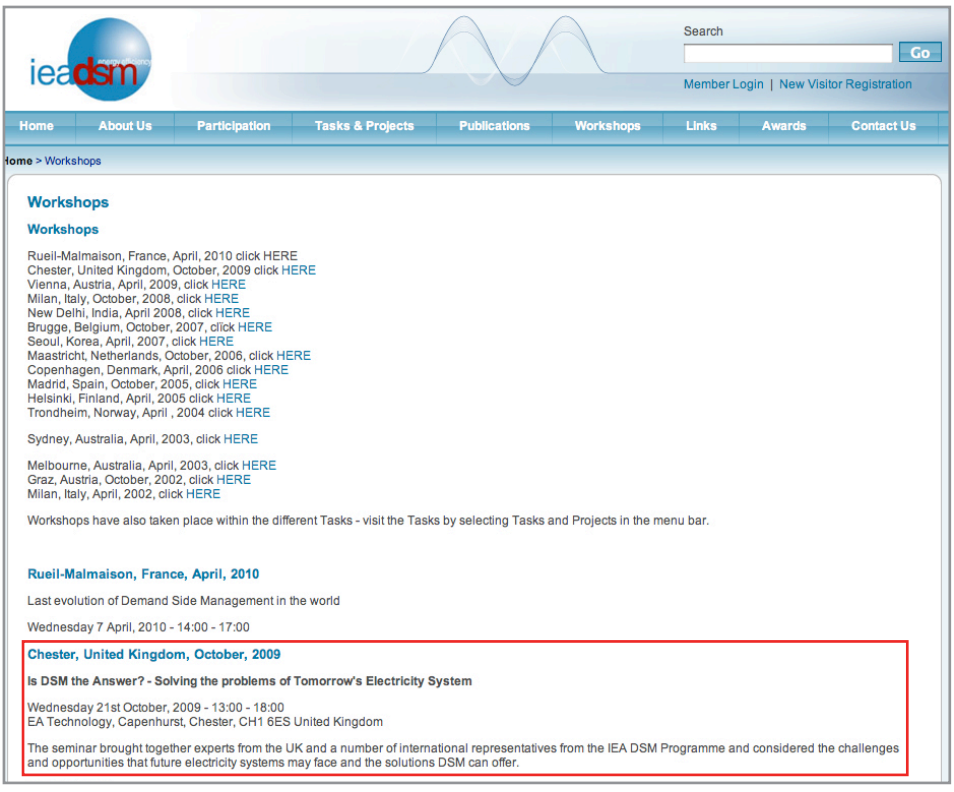
Supplementary support



The graph shows the effect on usage from the actions taken by the customer in the demand side management period. The electricity demand is reduced from an average of around 600kVA to around 30kVA as major processes are suspended. The reduction in demand by the customer reduces the requirement for local system reinforcement.



ENW presented its work and ideas at the IEADSM conference in Chester in October 2009

OCTOBER 2009

ENW and the Joule Centre of Manchester University developed a North West Smart Grid consortium holding a seminar at the Joule Centre. This event pulled together a wide cross-section of public and private sector organisations from across the North West region who shared an interest in the development of Smart Grids to support the move to a low carbon economy. ENW also initiated a Smart Grid scoping exercise project.

JANUARY 2010

Smart Grid development identified as the top priority for the North West Development Agency's Energy and Environmental Technologies Sector Strategy.

FEBRUARY 2010

ENW's CEO, Steve Johnson invited to be Deputy Chair of Greater Manchester Energy Group with Association of Greater Manchester Authorities.

MARCH 2010

ENW commit to fund a scoping study on the establishment of a Smart Grid Development Centre at University of Manchester.

Our Stakeholder engagement through-out 2009/10 culminated in launch of the ENW Smart Grid Vision for 2050.

Future of Utilities Seminar, London 17 March 2010: Steve Johnson, CEO, presented the ENW Smart Grid Vision.

Smart Grid Launch Event on 25 March 2010: Invited NW stakeholders and key influencers to hear ENW vision for the network of 2050, and our plan of action to move towards a low carbon future.

Pictured from left to right: Jeremy Hewitt, Operations Manager, OMYA; Tony McEntee, Head of Commercial Policy, ENW; Mike Taylor, Business Development Manager, UUES