

## Electricity Distribution Customer Service Reward Scheme 2010/11

Corporate and Social  
Responsibility submission



### Environment, Social and Governance

We launched a new Corporate and Social Responsibility policy following the creation of our new business in 2007. This strategy has evolved substantially during 2010/11 for two reasons.

1. The merger with the former service provider business, UUES Ltd, which has resulted in the workforce growing by a factor of 15. This has precipitated a comprehensive review of the employee engagement elements of the Corporate and Social Responsibility policy.
2. Further alignment with the best practice demands of our investors and their responses to the United Nations Principles for Responsible Investment (PRI) resulting in a further strengthening of the targeting and reporting approach and greater strategic focus on Corporate and Social Responsibility at Board level.

These two factors have resulted in a relaunch of our Corporate and Social Responsibility policy as an Environment, Social and Governance (ESG) policy.

### Electricity North West Limited

Electricity North West merged with its former service provider business, United Utilities Electricity Services Limited (UUES), a subsidiary of United Utilities Plc, in 2010.

While Electricity North West was responsible for the strategic management of the distribution network, we previously engaged UUES to manage delivery of all operations and maintenance, capital investments, connections and customer service. Electricity North West is now the single company that owns, operates and maintains the network.

We are owned by a consortium of funds controlled by the Commonwealth Bank of Australia and IIF International Holding GP Limited which is a constituent of JP Morgan Infrastructure Investments Fund.



## Our renewed Environment, Social and Governance policy

ESG is our commitment to being a responsible business operating in the best interests of stakeholders and society in general. We have a critical role in the community in which we work and operate.

Our policy provides our employees with guidance on required outputs and behaviours and ensure that our people have the skills, tools and motivation to make us a business leader.

Our ESG policy is divided into eight main areas:

1. Business ethics, inclusive of political and charitable policies
2. Best practice corporate governance
3. Policies specific to Electricity North West
4. Policies specific to employees
5. Fair employment practices
6. Health and safety
7. Environmental performance
8. Measurement and risk

Our goals are linked to our measures which are defined in targets and demonstrate how we are 'living' our ESG policy. Our measures for ESG ensure that we have captured our main challenges and targets for the next year; our goals for the coming 3-5 years and broader trends affecting the organisation and influencing sustainability priorities.

## Our refreshed strategy statement

Our overall strategy is to grow business both profitably and sustainably by providing services and products that benefit customers, society and the environment. Our ESG strategy co-ordinates all sustainability-related work embedded across the business and concentrates monitoring and investment into four broad streams. These streams support the sharing of knowledge and experience, develop innovative solutions, provide the opportunity to demonstrate our contribution to our local community, safeguard our reputation and build value through good corporate governance.

ESG stream	Theme for 2010/11
Environment	Facilitating a move to a low carbon economy
Community	Building relationships with the local community
People/ Stakeholders	Securing the work force of the future
Governance	Ensuring we apply best practice corporate governance

Successful delivery of initiatives related to the four streams will build our corporate identity and promote our standing with our stakeholders and employees.

## Measurement and monitoring

Monitoring of performance related to ESG is undertaken each month, and our ESG measures are incorporated in the overall balanced scorecard that all employees are focussed on. The scorecard is also reviewed monthly by the Executive Leadership Team.

This scorecard (shown right) contains measures on Stakeholder Engagement, Customer Service and Satisfaction, Community Engagement and Employee Engagement.

A specific monthly ESG scorecard is also reviewed regularly, containing a more comprehensive suite of impact measures, such as environmental impact and detail on the progress of initiatives.

## Improving measures for each ESG theme

Theme	Focused on
Facilitating the move to a Low Carbon Economy	Maximising the capacity of renewable generation connected to the network
	Supporting Manchester's bid to OLEV for Plugged in Places
	Enabling Demand Side Response – completing the next steps on our road map
	Measuring our footprint (carbon and waste and oil)
Relationships with the local community	Promoting safety through education, building on the Teaching Zone
	Worst served customers – measuring the reduction in this group by improving the network
	Improving customer service to Priority Service Customers
	Introducing a matched funding and community sponsorship scheme for employees to get involved with regional and national charities
Securing the Work Force of the Future	Work Force Renewal programme targets for training and new apprentices
	Establishing a Young Ambassadors programme building links with local schools
	The development of a centre of excellence training centre – establishment of a bespoke training facility
Ensuring we apply best practice corporate governance	Ensuring that an effective Board is in place
	Ensuring effective oversight by the Board of: <ul style="list-style-type: none"> <li>• corporate strategy to include ESG</li> <li>• financial reporting</li> <li>• major capital expenditure</li> <li>• the system of internal controls</li> <li>• risk management</li> </ul>

ESG is a long-term strategy. Across all four streams there has been progress against some measures and the identification of the need to do more on others. See our two case studies over the page to help show how we're doing.

## Stakeholder engagement and reporting

Our stakeholder engagement submission to the panel details the broad range and extensive activity coverage of our specific and inherent stakeholder engagement processes. As part of our ongoing stakeholder engagement activity, we have committed to reporting on our ESG policy using the Global Reporting Initiative (GRI). A report for 2010/11 is currently being developed.

The comprehensive and challenging nature of some of the GRI requirements for the electricity utility sector – a developing GRI – have highlighted additional areas of regular monitoring that can be built into the monthly ESG scorecard and also a range of areas for the additional consideration of proactive ESG initiatives. For example the reporting framework is encouraging us as a business to report more explicitly on our impact on the economy of the North West.

Company scorecard		electricity north west	
Understand and influence the market		Understand and deliver for customers and stakeholders	
M1	Strategic plan	C1	Customer priorities
M2	Engage and communicate	C2	Customer satisfaction
M3	Stakeholder survey	C3	Stakeholder engagement
M4	Move the industry forward	C4	Service performance
Deliver sustainable growth with robust financial performance		Develop a high performance organisation	
G1	Company valuation	P1	People development
G2	Effective investment plan	P2	Employee engagement
G3	Delivery of investment plan	P3	Efficient processes
G4	Business Plan tracking	P4	Supporting projects
		P5	Zero harm organisation
		P6	Energy conservation

## CASE STUDY: Environment - Facilitating the move to a low carbon economy

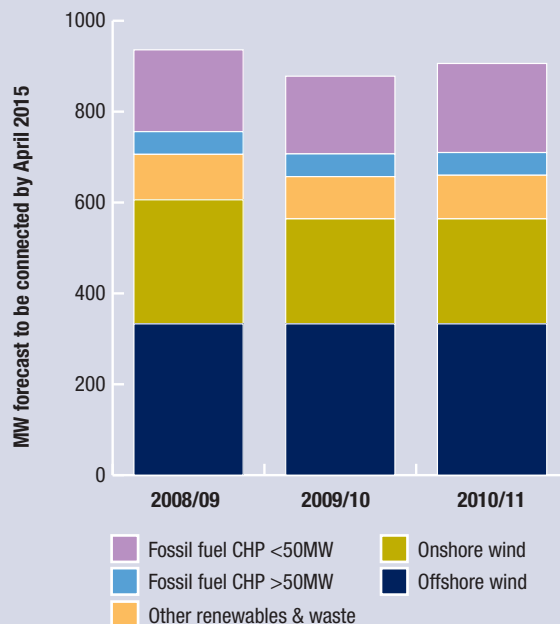
### WHAT'S GOING WELL?

- We helped the Association of Greater Manchester Authorities (AGMA) set up a Greater Manchester Energy Group to inform investment and decision making in energy supply and infrastructure. AGMA was initially unsuccessful in its application for funding from OLEV for a "Plugged in Places" demonstration of Electric Vehicle recharging, but working together we reviewed the feedback, revised the plans and in 2010/11 were successful in re-bidding and establishing the Manchester Electric Car Company.
- Having established a Demand Side Response roadmap in 2009/10 we have now successfully completed a demonstration of Generation Response contracts and signed a contract with EnerNOC, an international leader in the electricity market, to bring technology used in America to the local North West network. Customers that use a lot of electricity, such as big businesses, will be offered incentives to become part of the scheme. State-of-the-art technology will then allow us to request that these businesses reduce their demand at certain times, while minimising disruption to their businesses.

### WHERE CAN WE IMPROVE?

- Our forecasts for the amount of renewable generation connecting to our network have increased in 2010/11, but not at the rate we had targeted. As a result we have instigated a number of new initiatives to provide additional capacity at key network points where stakeholder engagement has highlighted concentrations of available renewable energy resources and interest in harnessing these. These investment schemes have now been designed and are integrated into our construction programme.

Forecast of low carbon distributed generation connecting to Network during DPCR5



## CASE STUDY: Community - Relationships with the local community

### WHAT'S GOING WELL?

- Our 'Flashover' safety game for children described to the panel in last year's submission has been continually promoted during the year including promotion by the Grid for Learning centre via their website. In addition to the 1,750 schools that have received our Flashover Safety training tool, during the year a further 450 schools have utilised to online version. Since the release of the Flashover training tool last year, there have been no safety incidents involving children on any part of our network.
- Since the merger of ENW and UUES to form Electricity North West we have developed new policies for matched funding and community sponsorship. Employees already utilised our existing programme of for volunteering and community involvement to support schools as Governors and sports clubs for young people. This involvement of time can now be matched with funding as we match the fund raising efforts of our employees and also sponsor programmes engaging young people.

### WHERE CAN WE IMPROVE?

- 884 of our customers meet the qualifying criteria to be classed as among the "Worst Served" in the country in 2009 and 2010 (720 in 2009 and 164 in 2010) with 118 of these affected in both years. We worked closely with Ofgem and other industry members throughout the recent price review to develop a new incentive mechanism

which encourages investment to improve the service afforded to the community of these "Worst Served" Customers. This mechanism has facilitated additional work programmes which would previously have been considered inefficient. This year we have developed, designed and approved an innovative approach to improve the performance for these customers that is now being implemented on the circuits serving all 884.

Responding to stakeholder feedback we are developing our services for priority service customers, including:

- improving our website with more easily accessible and appropriate information for priority service customers;
- establishing a partnership with Air Products that is helping us to identify the 8500 customers who rely on oxygen concentrators. We are also updating our reporting systems to flag these MPANS as priorities during fault restoration;
- revising internal guidelines regarding planned interruptions to ensure appropriate consideration is given to priority service customers during periods of severe weather;
- investing in new software to enable us to utilise more regular priority service customer data flows from suppliers thereby providing enhanced services, eg, storing up to four contact telephone numbers per priority service customer.