

## Electricity Stakeholder Engagement Incentive Scheme 2011/12

### Part 1: Evidence to present minimum requirements of stakeholder engagement

#### Executive summary

The report below details stakeholder engagement activity at Electricity North West. It describes the important role stakeholder engagement plays within the company and how external frameworks and third-party audit/evaluation ensure we have a robust strategy in place. The report comments on the following four key points:

- **Independent evaluation/audit**

The report outlines our approach to stakeholder engagement covering who our stakeholders are, how we communicate with them, how we interpret and implement feedback, and how senior managers across the business are committed to ensuring stakeholder engagement is an inherent part of how we do business. For the past two years we have reported CSR and stakeholder engagement activity against Global Reporting Initiative (GRI) guidelines. We are aware that the AccountAbility framework (AA1000SES) is a more robust framework with a specialised and clearer focus on stakeholder engagement. We are therefore committed to working towards full accreditation by January 2013. In the meantime, Deloitte are giving independent feedback on how we currently measure against the framework, and areas for improvement.

- **Relevant accreditation schemes**

As stated above, we are working with external auditors to achieve accreditation against the AccountAbility AA1000SES framework. We currently measure activity against the GRI guidelines. Working with industry experts, Weber Shandwick has also helped focus our commitment to stakeholder engagement. Their independent reports on our recent engagement activities are also included as part of this submission.

- **Results and feedback from stakeholder engagement surveys**

Electricity North West continues to work with Populus to run engaged consumer panels and surveys. Full results from our recent engaged consumer panel customer survey are included as part of this submission.

- **Evidence of culture change, senior management buy-in**

Our stakeholder matrix and strategy has been communicated to and signed off by our Executive Leadership Team (ELT) and main board. Evidence of our commitment to stakeholder engagement can be found in our latest Annual

Report & Accounts (attached) where both our Chairman, and CEO comment on the importance of stakeholder engagement within the business.

## **How we engage with stakeholders – the story so far . . .**

### **Our heritage**

Stakeholder engagement has always been at the heart of how we do business at Electricity North West. Building strong and solid relationships with stakeholders, truly understanding what is important to them, and adapting how we do business in response to their views is an inherent part of our culture – it's just the way we do business!

Our relationship with Transport for Greater Manchester (TfGM) is a good example of how we build strong relationships with key stakeholders in order to understand the issues that are relevant to them. This holistic approach to stakeholder engagement has served us well and this flexible approach enables solid and robust relationships to develop. An initial dialogue with TfGM began in 2008, initially to discuss issues surrounding the New Roads and Street Works Act. Plans were in place for tram lines to be extended to Rochdale and Oldham in the north east of the region and to Chorlton in south Manchester. Timescales were tight and the high profile project was under intense public and media scrutiny. In response to TfGM requests, Electricity North West appointed a dedicated project manager to oversee the project and a series of strategic meetings were set up. Key issues were quickly recognised and dealt with, and the dedicated team quickly 'understood' both the complexities of the project and the needs of the stakeholder. Electricity North West has continued to build and strengthen this relationship. We now have an ongoing, transparent relationship with TfGM at multiple levels through our two organisations, with established teams working to shared goals – recognising that the project is likely to go on for a number of years. This relationship now means we get earlier advance notice of future unrelated works being considered by TfGM, enabling us to get involved in the early stages of the process.

Our work with TfGM is not unique. There are examples right across the business of how we build strong relationships in order to truly understand stakeholders, and to listen and respond to their needs and views. From planning tree-cutting with land owners to prioritising network undergrounding with local environmental groups, our philosophy is to establish a relationship with all key stakeholders in order to understand what is important to them and for them to understand what options are available to us, helping us make the right choices – it's an inherent part of the way we work.

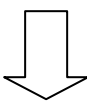
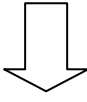
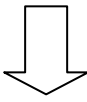
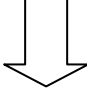
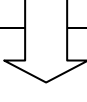
## Our current stakeholder engagement process

We have a clear understanding of who are stakeholders are and how they interface with our business. The matrix below illustrates our stakeholder groups and where we believe they fit into our operation:

	Individual	Regional	National
Direct relationship: customer who pays for a service	Domestic customers Major customers Employees	Developers & House Builders ICPs & IDNOs Generation connectees Local Authorities	Electricity suppliers
In-direct relationship: stakeholder does not pay for desired service	Parish Councils Local Authorities MPs	Regional Media Regional single issue groups Sub-regional development bodies Blue-light Other Utilities	Financial community  National Media NGOs Key national stakeholders

The stakeholder engagement matrix above has been endorsed and signed off by both our Executive Leadership Team (ELT) and main board.

As outlined above, our current stakeholder engagement process is based on bi-lateral engagement. Our teams and managers across the business build strong relationships with their own stakeholders, and engage with them on the topics relevant to them, taking into account opinions and viewpoints when making business decisions. We keep these stakeholders continually informed of our work and intended plans and implement stakeholder feedback accordingly. The chart below, using our current work at Wasdale Head, illustrates this process:

Wasdale Head project	
Identify relevant stakeholders	Work with stakeholders in the region with whom we already have strong relationships e.g. Friends of the Lake District; Lake District National Park; National Trust; Environment Agency (areas with SSSIs); local residents; local/regional/national media
Engagement channels 	Existing channels with key stakeholders (Friends of the Lake District; Lake District National Park; National Trust; Environment Agency)  Direct engagement with local residents (e.g. village forum)  Keep media informed of issues and progress
Feedback process 	Understand stakeholder views and opinions e.g. Noise from generator Disruption to one-way lane SSSI designation National Trust requests for recycling land fill etc Agree area for storage of disturbed ground
Keep informed 	All stakeholders constantly updated regarding plans. E.g. on site project manager communicates verbally with local residents; printed collateral and literature sent to local households; village forum to keep residents up-to-date with latest information; media briefings
Decision making process 	Panel made up of managers, senior managers and ELT discuss issues, take into account stakeholder views and decide on way forward e.g. trial of horizontal drilling to keep lane open; move generator; avoid impact on SSSIs; removal/storage of hardcore
Implementation 	Continue to keep all stakeholders informed of project progress. E.g. How and why we have trialled a drilling solution; problems encountered; why the 'underwater option' is difficult
Keep informed	Ongoing communications with local residents and media: e.g. regular proactive briefings with regional and national media; ongoing verbal updates from site project manager to all residents

We are aware that, whilst this approach has ensured full and detailed engagement where stakeholders have a direct connection or where they are directly impacted by a specific issue, in the past we have not traditionally consulted stakeholders on a broader range of topics and subject matters. As an example, whilst we have a good relationship with Friends of the Lake District and engage extensively on the undergrounding of overhead cables, we have not necessarily engaged with them on issues of fuel poverty or customer satisfaction – areas where they do not have a direct interest.

To address this, we have changed our strategy to begin engaging on a wide range of topics with all stakeholders. Since 2007 we have held a number of stakeholder workshops where we have discussed a variety of different topics with a range of different stakeholders. The introduction of surveys with an 'engaged' panel of consumers is also evidence of how we are

engaging with specific stakeholder groups on a wide variety of topics and areas. Our current engagement campaign, 'Switched on: North West' which seeks to understand stakeholder views on our future investment plans focuses on key topic areas and consultation with all relevant stakeholders in the North West.

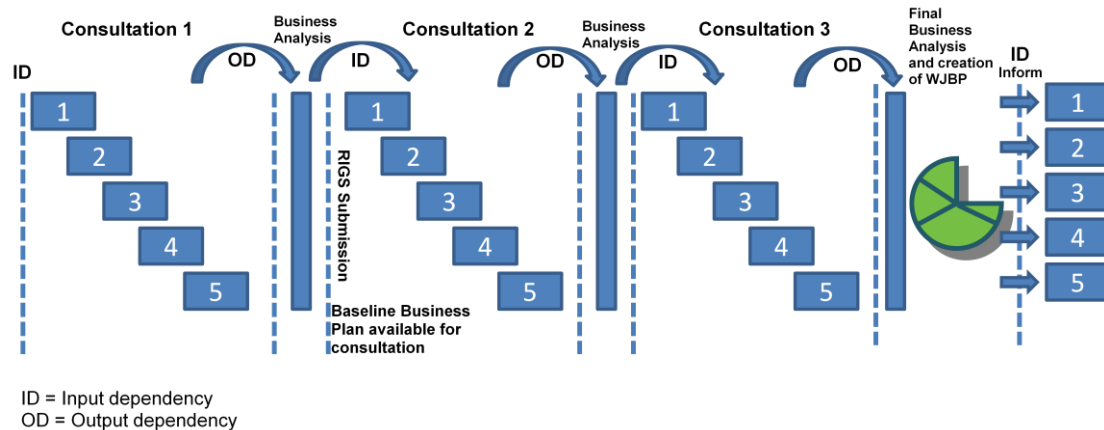
### **The way forward**

As our business grows and the issues affecting our stakeholders become more complex, we will formalise and develop a more structured approach to our engagement with stakeholders. Stakeholder engagement is happening all the time, across all areas of the business, but sometimes this can be in isolation to other activities leading to a 'non-joined-up' approach. A co-ordinated process where feedback from many different sets of shareholders is shared openly across the business will improve matters considerably.

We now follow the Global Reporting Initiative (GRI) which encourages a more structured approach to stakeholder engagement and have introduced a framework for stakeholder engagement resulting in plans that feed all findings back to the CEO and Executive Leadership Team. This is clearly illustrated in our approach to stakeholder engagement for the RIIO-ED1 price review. (See our 'Switched on: North West' case study in part two.) The framework below illustrates the 'dialogue' between the company and our stakeholders across a number of phases. Consultation 1 is characterised by informing and educating stakeholders. Consultation phase 2 is about engagement and listening to stakeholders' views and opinions. Consultation phase 3 is about analysing and checking understanding and responding/implementing changes to our operation in response. At this stage, stakeholder views and opinions will be presented to the company's Executive Leadership Team and ideas included.

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## Dialogue with stakeholders



A more complex stakeholder engagement framework requires a robust mechanism for monitoring – both to evaluate the standard of engagement and implementation of changes based on this engagement. We are currently working with Deloitte who are measuring our activity against the AccountAbility Framework (AA1000SES). Deloitte are evaluating our current activities and proposing where we can improve. Full accreditation is expected in January 2013 following their readiness review.

The following documents have been included as part of the Part 1 submission:

Appendix 1: Deloitte Readiness Review

Appendix 2: Weber Shandwick reports on stakeholder engagement activity

(Business Park Evaluation; Engaging Not for Profit Organisations; School Visits/Roadshow report; Shopping Centre Roadshow Evaluation; Social Media Evaluation

Appendix 3: Populus – engaged consumer panel survey results

(Engaged Consumer Panel Presentation; Engaged Consumer Panel Report; Populus Stakeholder Report)

Appendix 4: Annual Report & Accounts 2012 (front end only)

Appendix 5: GRI report

Appendix 6: Analysis of Stakeholder Comments

Appendix 7: Practical Training on Grid Connection for Solar PV