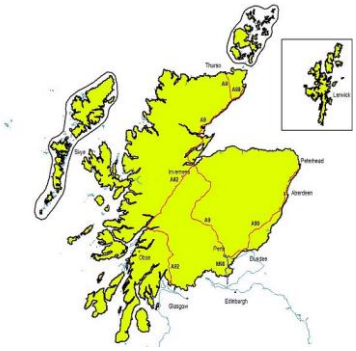
Stakeholder Engagement Incentive Scheme
Report (2011 / 12) – Part Two Submission

Contents:

About us

Scottish and Southern Energy Power Distribution (SSEPD) comprises of three Licensed electricity companies – Scottish Hydro Electric Power Distribution (SHEPD); Southern Electric Power Distribution (SEPD); Scottish Hydro Electric Transmission Limited (SHETL). SSEPD distribute electricity to over 3,500,000 customers in the north of Scotland and central southern England. The Licence areas are very different geographically and each presents unique challenges to 'keeping the lights on' and addressing stakeholder concerns.

Distribution Area SEPD



Distribution Area SHEPD

Stakeholder engagement strategy

All three companies operate the same stakeholder engagement arrangements that have evolved over the last four years. This summary report describes how stakeholder engagement forms a core part of what we do and draws out particular aspects relevant to the two Distribution Network Operators SHEPD and SEPD. We believe that by taking a customer and community focussed approach to engagement we can best ascertain who our stakeholders are, identify their concerns and shape our services, processes and policies to address them.

Before covering the details of our various stakeholder events and activities for 2011/12 we believe that it is useful to reflect on some of the recent key issues that have been facing our stakeholders and our networks business. This will help set in context our approach to engaging with our stakeholders during this period.

The external environment (financial)

The external environment in which we operate is continually changing and is impacted by local, national and international events. In particular, we recognise the challenging circumstances businesses, communities and individuals face due to the ongoing difficult international financial climate. Our stakeholders have made it very clear to us that the continually increasing costs associated with the supply of energy and related services is one of their greatest concerns.

Many of our customers have abandoned or put on-hold plans to increase their business activities until such time as more favourable economic conditions allow. A frequent example of this type of concern comes from our customers requesting new or increased electricity connections. Many of their projects stall at an early stage in the process due to cost implications. This is especially true where it is necessary for customers to make a contribution to the cost of upstream network reinforcement.

Against the backdrop of subdued business activity for new load connections to our networks we have seen a significant increase in the number of requests for the connection of renewable distributed generation. The majority of installations in our SEPD area are small scale embedded generation (e.g. roof mounted photo voltaic panels), while in our SHEPD area the installations are mainly for larger wind and hydro powered plant. The growth in this segment of the market has largely been driven by the introduction of the Government's Feed in Tariff scheme.

The period covered by this report is characterised by the enormous swings in the volume of applications for renewable generation connections being received. These swings were as a result of the government's various announcements regarding the changes to the value of the Feed in Tariff rates and the dates when these changes would be applied. During this challenging period we managed to keep on top of the high volumes of applications by working exceptionally long hours and temporarily transferring planning staff to connection design activities. Many of our stakeholders have contacted us to thank our staff involved in

processing their applications and for connecting their generation to meet the very demanding deadlines.

The external environment (climate change)

Changes in weather and climate patterns due to global warming is also a serious concern for many of our stakeholders, particularly for those affected by severe weather events which have a significant impact on our Networks businesses. In the course of a typical year, SSEPD has to contend with one or two 'exceptional' weather events. But last year brought seven such events, culminating in the windiest and wettest December in a decade that then gave way to a new year marked by the worst storms seen in a generation.

Many of our customers located in the areas most affected by these storms recognise the challenging circumstances in which we operate. Again, many stakeholders contacted us to express their appreciation for keeping them informed of our progress and for the work we carried out to restore supplies. Of course, we recognise there is always room for improvement and dealing with severe weather events is no exception. We have listened to our stakeholders' experiences of coping in these difficult situations. The feedback we received has helped us to take a fresh look at our storm response and to identify new and innovative ways to improve our performance in the event of a repeat of last year's weather.

Stakeholder engagement priorities for 2011 / 12

At the beginning of the period covered by this report we identified our New Connections activities as the main focus for engagement with our stakeholders. Apart from being aware of issues associated with the significant increases in the volume of renewable generation connection applications from customers and installers as described above, we were also aware that Independent Connection Providers (ICPs) and Independent Distribution Network Operators (IDNOs) had expressed concerns with the rate at which the electricity connections market was opening to competition. Our view was that these two (not unrelated) activities required special attention in order for us to gain a better understanding of stakeholders' concerns and to do more to address the issues.

We also recognised that 2011 / 12 was an important period for the whole country in the run up to the Olympic Games. During this period we continued to develop close working relationships with all the other parties involved in the preparation for this huge and important event. Our networks businesses covered three Olympic venue sites and two Olympic villages, including locations in central London where we own and operate electricity networks.

We later added Supply Restoration to our list of stakeholder engagement priorities in response to the exceptional weather events which had serious impacts for many of our customers located in our two network areas.

At the same time we continued to engage with a broad range of other stakeholders on a wide variety of subjects. This 'business as usual' engagement included, for example, meetings with Members of Parliament; presentations to Local Authorities and Communities; customer telephone and street surveys; consultations by mail and email; business workshops with other utility companies; and one-to-one meetings with energy suppliers as well as individual customers.

The following examples of our engagement activities provide clear evidence of the importance we place on listening to our stakeholders and incorporating their feedback in our business plans and processes.

Engaging with Independent Connection Providers (ICPs) and Independent Distribution Network Operators (IDNOs)

We welcome and support the views of ICPs and IDNOs to promote competition in the provision of services for new electricity connections. Our previous engagements with this group of stakeholders have shown a good deal of common ground and understanding of their issues. On this occasion we identified 19 areas of ongoing concern where we can work together to identify and implement solutions.

At SSEPD we believe that we have a good understanding of many of the issues facing ICPs and IDNOs as they expand their business activities in competition with the DNOs. We are unique in being the only DNO to own and operate electricity networks throughout Great Britain and, as such, face many of the same challenges experienced by ICPs and IDNOs.

We engaged with the ICPs and IDNOs that operate in our distribution areas. This was carried out at meetings on a one-to-one basis, as it was recognised that some of the discussions were likely to be commercially confidential. Our main objective during the engagement process was to identify if there are any barriers to competition in our distribution areas. We also wanted to understand where we could improve our existing processes to enable us to provide a better service to the ICPs, IDNOs and their clients.

Our ICP / IDNO questionnaire and meeting structure

Our meetings with ICPs and IDNOs included the completion of a questionnaire that was later analysed and 'scored' using the Net Promoter Score (NPS) methodology. We have used questionnaires and NPS for measuring our performance in delivering customer service in other areas of our business and believe it is a reliable indicator of our customers' views. The questionnaire was broken down into three main areas: making an application for connection; post-acceptance delivery; and other issues. The questionnaire was also used as an aide for promoting discussion on the various topics, for example:

- How easy was it to contact us and make your first application?
- What could we do to improve this?
- Do you know where to find our information?
- Is there enough information? What's missing?
- How do you view SSEPD's approach to availability of information?
- What additional services would help you?
- Do you believe the minimum information required by us is reasonable?
- Do we provide enough cost breakdown detail for you?
- Do you agree with SSEPD's approach to Adoption Agreements?
- Do you have any concerns regarding SSEPD's approach to inspection and monitoring and if so what?
- Do you have concerns regarding SSEPD's approach to PoCs, Wayleaves, substation site purchases, adoption agreements, etc, and if so what?
- How do you rate our performance against Licence Condition 15?
- How could we improve our overall performance?
- What do the other DNOs do that you would like SSEPD to do?

Of the nineteen issues identified during these meetings (see supplementary information included with Part One of this submission) we took immediate action to address five, feeding this back to the ICPs / IDNOs concerned to confirm agreement that this was resolved. We have committed to provide solutions for nine by October, with some now already addressed. We recognised and committed to addressing or resolving the remainder by the end of 2012.

Only three items raised wider issues for us. We have made a commitment to enter into further discussions on these with the companies involved.

Raising customers' awareness of competition in connections

We agreed with our stakeholders that it is important to raise the awareness of competition in connections with customers who request connections from ourselves. We did this by highlighting the process on our website and by providing links to the Lloyds register of suitably accredited service providers.

We also included a paragraph in a prominent position on the front page of all our quotation letters reminding customers that elements of the work could be carried out by an ICP or IDNO, and again providing the web link for these: *"SSE Power Distribution is the Distribution Network Operator (DNO) for the area in which your project is located. There are Independent Connection Providers (ICPs) and Independent Distribution Network Operators (IDNOs) who may be able to provide you with an alternative quotation to carry out some of this work. Please refer to www.lloydsregister.co.uk for further details."*

To quantify customer awareness we added a question to our business improvement telephone survey asking "Were you aware that some parts of your job could have been done by others?". A reassuring 67.5% of customers confirm they are aware that elements of their quotation could be provided by an alternative provider.

Engaging with Renewable Generation Customers and Installers

A whole new group of stakeholders with limited experience of our industry was created when the Government introduced new policies to promote the 'low carbon economy'. We recognised that the majority of these new stakeholders needed our help to understand the process of obtaining a connection to our network, and we needed to understand what we could do to improve the services we provide to them. The results of our stakeholder engagement led to a number of changes to our processes which have already been implemented. Other changes are still ongoing, and some will require further consultation with the industry.

Prior to the introduction of Feed in Tariffs in 2010 we were dealing with one or two applications to connect Distributed Generation each week. We then saw an exponential rise in applications as customers recognised the financial benefits of the new Feed in Tariff arrangements. Many new 'players' with little or no experience of distributed generation entered this market and everyone, including ourselves, was on a steep learning curve. It is true to say that we underestimated the demands on our services for providing formal offers for connections and we were not fully prepared to deal with the high volumes of applications. But we pulled out all the stops to ensure our customers were not disadvantaged, especially on those occasions where time was of the essence, i.e. where tariff rate reductions were imminent.

It was clear to us that, with so many new stakeholders, we needed to provide additional support to help them to understand the engineering issues associated with installing distributed generation and to better explain the process of obtaining a connection. Our initial approach was to produce and regularly update a "DG Newsletter" which was circulated to the 300 (and growing number of) installers operating in our areas. The feedback from installers confirmed that the information we were providing in the newsletters was very useful to them, but it was also clear that there was still a need to do more, particularly with helping understand some of the more complex technical issues.

How we engaged with our distributed generation stakeholders

We asked our stakeholders to advise us on how we should deal with these outstanding issues. The overwhelming response was for face to face workshops with stakeholders contributing to the programme. We therefore produced a workshop agenda to cover all the issues provided by generation installers and consultants / customer advisors. Invitations to attend one of seven all-day workshops were sent to our DG stakeholders. This led to over 200 expressions of interest with 91 stakeholders attending one of our events.

We also responded to two separate requests to deliver a condensed version of our workshops at events located outside of our distribution area. Renewable Generation South West (an influential and not-for-profit company representing private, public and voluntary sectors in south west England) asked us to be the main presenter at one of their stakeholder events held in Paignton, Devon. The other out of area event was organised by Ecolution, a long-established business providing renewable energy solutions to the building industry, based in West Malling, Kent. Each of these events attracted about 20 delegates, all of whom were interested to learn more about connecting distributed generation and other low carbon technologies such as air and ground source heat pumps to DNO networks.

What we learnt

Our stakeholders provided us with a valuable insight to the current and potential future market conditions for the connection of renewable distributed generation and other low carbon technologies. The various discussions at the workshops produced exactly the type of information we needed to improve our understanding of this evolving market and therefore better inform our plans for future network investment. It is no exaggeration to say that these events were highly productive for all parties. Those involved from SSEPD were able to view our service provision as seen through the eyes of our stakeholders and gathered a wealth of useful information. Each one of the workshops revealed new information in a way which would have been difficult to obtain through other engagement formats.

What we are doing to improve our services

A full summary of the issues raised and the initial actions we are taking is included with the supplementary information in Part One of this submission. It is clear from this information that our stakeholders want us to make significant improvements in the provision of information and with the way in which we process their applications for connections. They also proposed that we should give priority treatment to requests to connect renewable energy and low carbon technologies in order to promote the low carbon economy. This included 'future proofing' our networks as part of the minimum cost scheme when building new connections as well as reviewing 'who pays' for network reinforcement associated with low carbon connections.

We have made commitments to deliver many of the improvements raised by our stakeholders. However, it will be necessary for the industry as a whole to be involved in reviewing a number of change proposals, particularly for those where the industry takes a common approach such as the application of connection charging methodologies. In other cases, we have been in contact with third parties such as Elexon to identify how we can improve the information available to this group of stakeholders.

Further areas for improvement in our New Connections Business

Over the next few months further improvements will be implemented in response to feedback from customers and staff. These will involve changes to the layout and content of our website (www.ssepd.co.uk) to improve navigation and include some new and updated functionality.

Our stakeholders have told us that they want us to provide:

- predesigned application forms for download, including additional forms to cover service alterations, load increases and disconnections;
- further guidance on completing and submitting application forms;
- examples of completed application forms;
- details of the Guaranteed Standards of Performance that customers can expect from us;
- worked examples of typical scheme costs for small domestic connection projects;
- our standard terms and conditions;
- guidance for ICPs and IDNOs on submitting POC applications and progressing them through to energisation;
- process flow charts of our non-contestable connections services;
- a clearer illustration of the Standards of Performance that ICPs and IDNOs can expect from us;
- a glossary of common connections industry terminology, complete with photographs where appropriate.

Over the next year we plan to develop a tool to enable customers to make applications directly online via our website. We are developing 'smart forms' that guide customers on a step by step basis through their connection applications. Coupled with functionality for file uploads, customers will submit all the information we require and be automatically and immediately issued with a unique job number.

The Olympic Games – a model for stakeholder engagement

SSEPD is responsible for the electricity network supplying three Olympic venue sites, two Olympic villages and numerous other critical operational sites such as Heathrow and Southampton airports. In order to ensure that the Games are a success, SSEPD has been engaging with a wide variety of stakeholders for a sustained period of time in preparation for the event.

The Olympic road and rail networks are the primary routes which will be used to transport athletes, spectators and VIPs to the appropriate venues. It is important these routes are kept clear and running smoothly for the duration of the Games. All planned excavation work along these routes will be suspended from the beginning of June until mid September.

<u>The impact on new electricity connections</u>
The Games will have an impact in the connection of new supplies for any customers who live along the route. SSEPD has been issuing an information leaflet to all customers since 1st January 2012 who have requested a quotation for any type of work. This leaflet (included as supplementary information with Part One of this submission) provides information regarding the working restrictions that are in place, and it has encouraged early dialogue with customers to ensure we do our best to meet their timescale requirements. As a result, we expect to have extra connection work in the lead-up to and immediately following the Games to satisfy customer demand.

<u>Establishing good communication channels and dealing with emergencies</u>
There will also be a need to co-ordinate emergency excavation work along these routes. We have been heavily involved with the Transport for London Clearway initiative, as well as engagement with local council streetworks teams who are responsible for various sections of the road network. A joined up approach is necessary to ensure that traffic restrictions are kept to a minimum, and communication channels between all co-ordinating organisations have been established.

<u>Stakeholders working together</u>
SSEPD has numerous sections of distribution network which cross and run adjacent to the Olympic routes. These Olympic routes by their very nature are extremely traffic sensitive (motorways, dual carriageways, key Network Rail links, etc), and historically we have had some communication issues with their controlling organisations. The Olympic Games have provided a common challenge which has improved communication channels, and streamlined systems used to achieve agreed operational work.

In the past it has often been difficult for SSEPD to agree work to be completed on motorway or railway crossings, but all co-ordinating organisations have proved to be very helpful in scheduling planned work. We have previously found it very difficult to agree planned work on Network Rail land (such as pole replacements), but good relations have been established between organisations, and we not only now have a more robust electricity network along the Olympic Route, but we have agreed streamlined procedures to follow in the future.

<u>Weymouth Local Resilience Forum</u>
Although the Games are known as the London Olympics, Weymouth is the host for the Sailing Events. The Sailing Arena is all of Weymouth Bay, and as a consequence, the whole town is seen as a venue with thousands of spectators expected along the seafront every day. SSEPD has been working closely with the Local Resilience Forum for Dorset, and strong relationships have been formed with the local councils and authorities.

Community spirit

Appropriate communication procedures and operational responsibilities have been established in order to produce incident management plans involving all organisations. The rural nature of Weymouth and Dorset compared to the main Games in London has created a community spirit and a working together atmosphere.

This has resulted in strong relations being established between working parties and this will undoubtedly be a legacy of the Games in this area. The forum has allowed SSEPD to not only demonstrate that it is willing to work with all stakeholders to ensure a smooth running of the Games, but also to communicate with local agencies regarding the level of service that they can expect from us, as well as how to structure their operations to be more resilient to a power failure.

Gold medal achievement

As described above, we have learnt a great deal about stakeholder engagement from the Olympic experience. If the success of this engagement is replicated in the Games itself, then there will be plenty of Team GB gold medals to look forward to.

Storm response

Dealing with exceptional weather events is something that SSEPD is well prepared for. We have been proactive in organising regular engagement with non-governmental organisations, local communities, emergency services, local Government and the Scottish Government before, during and after the recent storms. By taking this approach our stakeholders are aware of our ability to work with them to deal with these challenging events, and we are better prepared to manage our stakeholders' expectations. The feedback received from our stakeholders affected by the most recent storms has been used to refine and improve our existing emergency response procedures.

The areas worst affected by the storms during December and January included Argyll & the West Highlands. We were clearly aware that the residents in these locations had experienced serious disruption to their normal routines as well as damage to their properties. Some of our customers were without electricity for up to 5 days, as it was not possible to carry our repairs to our network until the weather had improved.

The seriousness of the situation was discussed at the highest levels in Government and SSEPD was asked to contribute to a wide ranging formal inquiry. We have included our report providing evidence to the Scottish Affairs Committee's Inquiry into the storms 'A Robust Grid for the 21st Century Scotland' as supplementary information in Part One of this submission. This document provides further details of our long-standing engagement with stakeholders which has been used to inform our network investment plans and to help prepare the business to deal with exceptional weather events in the future.

When faced with the situation we experience last winter we believe that stakeholder engagement is best carried out face to face and by senior managers. Our Head of Engineering and his team therefore met with Cumbrae, Lismore, Islay and Lochgilphead Community Councils. While we might have expected to have been greeted with some hostility, many of our stakeholders understood the challenges we faced and praised the performance of our front-line staff involved in restoring supplies.

We also received thanks for the work that we did in these communities to;

- clear roads of debris allowing access for our repair teams and the general public;
- removing fallen trees from properties and generally making locations safe;
- transporting less mobile members of the community to and from the catering vans which we provided;
- delivering hot food and drinks to some of the more vulnerable members of the community;
- deploying 52 mobile generators to provide heat and light for more vulnerable customers;

- working closely with Argyll and Bute Council's emergency planners and social care workers to provide assistance for vulnerable customers including privately run care homes in Jura and Tighnabruaich who were provided with gas heaters and a generator.

The main criticism from our stakeholders was with communications. Our customers often struggled to obtain accurate reports on what we were doing and details of when their electricity supply would be restored. The time taken to restore all supplies was also a concern for the Community Councils, but it was recognised that the weather conditions had been exceptionally severe. Our own internal post-storm review also highlighted issues where there is room for improvement, particularly with resources to provide information to stakeholders and customers, and for supporting our repair teams in the field.

Street surveys

Our Power 2 Serve business improvement team took the opportunity at this time to conduct street surveys to obtain additional feedback from the general public on the impact to them of supply interruptions. These surveys were carried out in six of our main towns and cities: Wick, Inverness, Perth, Slough, Bognor and Reading.

What we asked our customers included:

- You've just had a power cut, who would you contact?
- Where would you look for our emergency telephone number?
- How would you like to be kept updated?
- Would you like / expect confirmation when the power is restored?
- By the same method as above?
- What would you expect from us as a company during a prolonged fault?
- Is there anything else we could do?

Feedback and results

The main survey results highlighted that 45% of our customers would like to be kept updated via a telephone call and 36% would like a text message. During a prolonged fault 31% of our customers would like regular and accurate updates, while 21% would like hot food and drinks and 16% would like a generator.

What we are doing in response to stakeholder feedback and survey responses

- An additional administration / communications team is in the process of being set-up to deal with engineering / supply related customer enquiries. This team will also have a dedicated 'storm role' to proactively contact customers who are registered on our Priority Services Register; are likely to remain off supply overnight; and have requested updates on progress with the restoration of their supply;
- A new and more prominent advertisement has recently been published in the latest edition of the yellow pages. These are in addition to the existing advertisements in the BT and Thompson directories;
- In Scotland we have made arrangements to use Scottish Hydro Electric retail shops as local community centres to provide our customers with food and refreshment facilities, as well as information and updates during exceptional weather events;
- We have established two Twitter accounts (@HydroPD and @SouthernElecPD) which are currently used for, amongst other things, communicating progress with restoring supplies following a fault on our networks;
- Our website is in the process of a major re-design to become more customer friendly, including live updates of faults;
- We are in the process of arranging a contract with a mobile catering company to provide services to our customers who have been affected by a prolonged supply interruption. As well as providing hot food and drinks, our contractor will visit customers to explain the work being carried out to rectify the problem and provide an estimated time for supply restoration;

Industry changes to generation 'Distribution Use of System' charges

It was clear to us that Ofgem's proposals to start charging previously exempt generation customers for using distribution networks would have a serious impact on many of our 'pre-

2005' connected generation customers. Early this year we consulted (by mail-shot) with 95 of these customers (for 248 generation sites) with personalised information to advise on how the new arrangements specifically affected their generation, with the options available to them and the duration of any exemption from export charges.

A positive outcome to stakeholder consultation

We recognised that Ofgem's decision would inappropriately adversely affect a particular sub-set of the generators and made strong representations to highlight this, with supporting evidence and data. Ofgem subsequently agreed to amend their initial decision to recognise these issues. We believe that our representations assisted Ofgem to refine their decision, heading off customer disputes and enabling the decision to be more readily accepted by the generation community. Those generators who were aware of our representations fully supported our efforts.

Engineering innovation – finding new ways for dealing with Low Voltage (LV) transient faults

SSEPD's Managing Director for Networks has made the reduction of customer interruptions and customer minutes lost one of our highest priorities. One of his challenges to the business is to develop innovative solutions for dealing with LV transient faults. One of the outcomes of this challenge is the use of new and innovative 'Smart' technology to improve our response to this type of supply interruption.

What our customers have told us about transient supply interruptions

The main issues customers have highlighted to us during telephone surveys include their concerns with loss of revenue in the case of businesses, while all customer groups identify with the inconvenience and frustration of having to change their normal routines when the power goes off. It is clear that this is the case regardless of the duration of the interruptions. We are especially aware of the difficulties experienced by our most vulnerable customers who are often totally reliant on their electricity supply.

What we have been focussing on

Apart from restoring supplies quickly through mobile generation and other forms of temporary supply, and keeping customers updated regularly through SMS messaging and telephony, we are now writing to customers affected by loss of supply where the number of outages reaches 'rogue' status. A circuit is given this status if it has suffered: 3 losses of supply in 30 days; or 6 losses within 6 months; or whenever we leave an automatic reclosing device connected to a LV circuit. The LV circuit performance is also escalated to local senior managers to ensure effective fault management through to resolution.

Innovative technology applied to the Low Voltage network

We have also been working closely with manufacturers of fault location and restoration equipment to develop new technologies to improve our response to transient LV faults. The latest innovation to be trialled by SSEPD is the Bidoyng. This 'Smart' equipment has the functionality to automatically send a message to our emergency service centre as soon as it senses loss of supply. This allows us to mobilise our rapid response engineers to deal with the fault even before customers call to say they have lost supply. The feedback we have received from customers on our speed of response has been very positive and we continue to develop similar ideas to reduce the overall time they are off supply.

The Bidoyng...!

Changes to tariff charges for unmetered electricity supplies in Scotland

The introduction of the Common Distribution Charging Methodology (CDCM) on 1st April 2010 caused significant tariff disturbances which adversely affected certain charges for Scottish Local Authorities.

We engaged over an extended period with the Local Authorities and their professional advisors through meetings and e-mail exchanges to understand the stakeholders' concerns and to provide a better understanding of the issues and strategies for resolution. We have also been actively involved at industry group meetings, working with the professional advisors, Ofgem and other parties to progress changes to the CDCM to produce more cost reflective tariffs and address customers' concerns.

Lessons learnt and room for improvement

The substantial increases in tariffs were primarily attributable to issues with the CDCM methodology and tariff model, this could only be resolved at national level through the industry's distribution charging open governance process.

Lesson 1 – Engage early with stakeholders to address their concerns. It is important to explain the issue which can be complex in 'plain English', and how it will be resolved locally and / or nationally.

Lesson 2 – Early active engagement allows stakeholders to assess impacts on their business and to raise any concerns with SSEPD and / or Ofgem. We should continue to engage in open and transparent manner.

Lesson 3 – We should proactively seek stakeholders' views and concerns on charging matters and change proposals that adversely affects them. Any issue of principle that concerns the common CDCM should be raised at the industry forum groups at the earliest opportunity.

Lesson 4 – We have communicated with stakeholders from time to time during the development phase of CDCM to keep stakeholders informed. Feedback from customers indicates that sending frequent communications may also cause confusion.

Whilst customers are keen on knowing charging impacts, it is often difficult to strike a balance on frequency of communications and level of information provided.

Deteriorating quality of supply

Bringing forward the plans to upgrade our network was the main outcome from our engagement with stakeholders and customers in Kings Worthy near Winchester. At the end of last year the quality of supply at this location deteriorated to unacceptable levels. This was

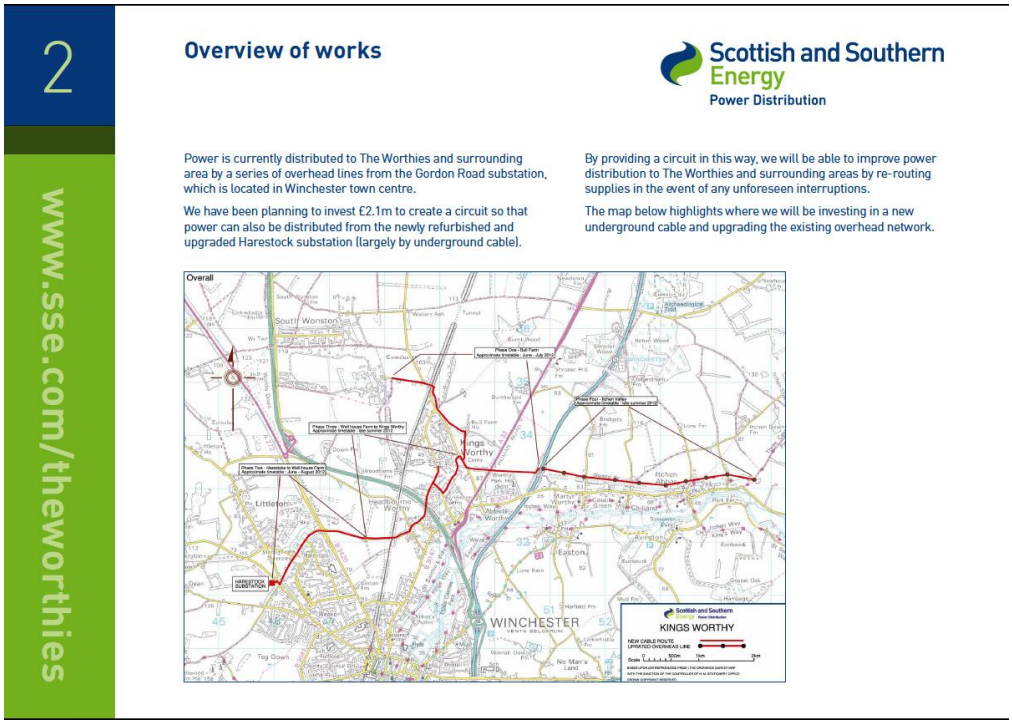
due to several unrelated faults on our high and low voltage networks. One of the residents escalated the issue to his Member of Parliament who subsequently asked SSEPD to explain the reasons for the multiple interruptions and actions we are taking to resolve the problem.

Our senior managers met the MP and local Councillors and offered to arrange an "Open Day" in the village. These events provide the opportunity to explain to the residents the reasons for the interruptions and the actions we were taking to prevent a recurrence. This would also provide the residents with the opportunity to discuss their concerns directly with staff responsible for the electricity network in the local area.

The Open Day

Several senior SSEPD staff, including our Head of Operations and the Operations Manager for New Forest Depot, attended to provide advice on the planned remedial works. This was enhanced through the use of exhibition boards which highlighted the locations and a description of the work to be carried out. In addition to this SSEPD arranged for the information at the Open Day to be made available on our website where future updates would also be posted.

In the case of Kings Worthy, SSEPD had previously identified the local network for future upgrades. The recent poor performance of the network meant that the upgrades were now a higher priority. The Local Authority were pleased to assist us with bringing forward our plans to allow an investment of £2.1m to commence in June 2012 with completion expected in late summer.



Customer Feedback

It was clear that the residents of Kings Worthy were impressed at the speed at which SSEPD moved to resolve the matters that were concerning the whole village. The Open Day had proved to be an excellent stakeholder engagement format for SSEPD to demonstrate their intended investment and also explain the challenges we faced with our planned upgrade of the network. This included negotiating to cross the Network Rail main line and also the M3 motorway. The Open Day also provided a platform for customers to voice their concerns and receive direct feedback on these issues.

Datacentre connection enquiries

Being proactive and helping customers to identify under-utilised locations on our network to connect large loads such as datacentres is a relatively new activity for us. Up until recently we have provided this type of information only via our website. However, following discussions with a number of stakeholders we have introduced a service which allows customers to meet with us to discuss the options available to them.

Areas within SSEPD in the south, mostly within about 30km of London, are very attractive to customers wishing to develop datacentres. Their load requirements are high, and areas where connections can be provided economically and without extended timescales are few.

What have we done to help?

To help improve this situation, SSEPD's System Planning Team has engaged with a number of these customers and their professional advisors. The purpose of this is to provide a new service by providing informal upfront pre-application guidance to meet the stakeholder's requirements. In all cases it is vital for the customer to understand the issues with requesting such high loads and the potential for increased costs that may occur. These meetings are also of great benefit to ourselves as we get advance notice of potential future load requirements which helps us to plan our network investment.

Feedback

Many of our stakeholders have accepted the offer to visit us on a regular basis to review their geographic areas of interest and their likely network loadings. This has enabled us to often identify alternative and more suitable locations for connection, which are available immediately or when planned reinforcement work has been complete. These meetings have also allowed us to explain the various quotation options, and the levels of network security which can be provided. Additionally we offer a quick turnaround high level response to these customers when asked to comment on specific sites and requirements.

A Typical Datacentre

Preparing for the future

Last year we reported on our stakeholder engagement activities associated with preparing for the low carbon economy and the ground breaking work we are doing which is associated with the Low Carbon Networks Fund. This engagement activity has developed and grown throughout the period of this report with lessons learnt from previous years being incorporated in our current plans. In this report we will restrict the information to a brief description of our approach to the stakeholder engagement associated with our latest project: The Thames Valley Vision (TVV) project.

Project Partners and Stakeholders

SSEPD recognises that stakeholder engagement is becoming increasingly important as the utility networks become more complex with more data to handle and where complicated forms

of technical solutions are required. As part of the TVV project the importance of having and maintaining strong partnerships is vital. During 2011 / 12 a series of workshops and reviews were carried out with our partners and product suppliers.

We are utilising the commonly used method of "Open Innovation" as part of the New TVV project, which is to quote Harvard Business Press "In today's information-rich environment, companies can no longer afford to rely entirely on their own ideas to advance their business, nor can they restrict their innovations to a single path to market". Therefore the TVV project encourages a different and aspirational approach with partners and suppliers to providing the necessary solutions to the future low carbon challenges.

<u>iESE Teamworking Award</u>

The TVV team has recently won a National Public Sector Award in the category of Teamworking Excellence. iESE is a body that encourages the Acceleration of the Public Sector. This high profile award was in recognition of the novel and innovative partnership approach we have developed to working with local and multinational companies in the Bracknell and the Thames Valley Area.