

Stakeholder Engagement Incentives Scheme

2011/2012



Introduction



Good stakeholder engagement practice is vital to the success of any organisation operating in a competitive environment. UK Power Networks strives to deliver this level of best practice within the regulated electricity sector.

It is not sufficient to merely listen to our stakeholders: we must ensure that we assess the potential to address the issues they have raised and provide prompt and decisive feedback on the conclusions we have reached. It is only by maintaining open and proactive two-way communication with our stakeholders that we will build trust, allow working relationships to prosper and establish a solid DNO-stakeholder partnership.

In our 2010/11 submission, we explained the framework we had put in place to capture and analyse stakeholder feedback across our business. We also described the journey we had embarked on with our stakeholders to drive improvements in two specific areas: responding to network faults and providing connection services.

Our submission for 2011/12 documents our progress during the past year in encouraging engagement with our stakeholders. It explains the steps we are taking to ensure that engagement is fully integrated into our business-as-usual processes, including feedback

on previous initiatives, and our interactions with stakeholders on two topics of key importance. These are the development of our RII0-ED1 business plan and our work with independent connection providers and independent distribution network operators to facilitate open competition in the connections market in UK Power Networks' three operating regions.

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Basil Scarsella, Chief Executive,
UK Power Networks

Our stakeholder engagement strategy

UK Power Networks has a wide and diverse range of stakeholders.

We deliver electricity to more than eight million domestic and commercial customers; we provide services to generators and developers; we interact with suppliers; and we impact on issues of importance to various organisations including Government departments, locally-focused bodies and environmental groups.

Such diversity, though enriching, presents a significant challenge: knowledge levels (both of the electricity industry and of

UK Power Networks' activities) vary considerably between stakeholders and in some cases there are limited routes to facilitate ongoing discussion. Those of our stakeholders who are less accessible, or who have a limited understanding of our activities, will require our support if they are to fully comprehend the issues affecting them and feel confident to engage with us.

During the past year, as part of our culture of continuous improvement, we have reviewed our approach to stakeholder engagement – effectively returning to 'first principles' and asking ourselves what should be the single most important objective of engagement.

The answer: develop arrangements that will provide meaningful opportunities to a range of stakeholders to influence the direction of our thinking on network development and business operation on an ongoing basis.

Figure 1.0: our stakeholder engagement strategy

There are some key considerations that underpin our stakeholder engagement objective. We recognise that we must identify and target stakeholders effectively if we are to gauge the views of the full spectrum of parties impacted by our activities. Equally, and for the full value of engagement to be realised, we must maintain accurate records of stakeholder interactions and be able to demonstrate that we have listened to and, wherever possible, acted on the feedback received. Lastly, we must continually evaluate the success of our approach to ensure that it remains firmly focused on the delivery of desired outcomes for our stakeholders and secures their ongoing participation.

All of the above are core elements of the model we have developed to deliver against our primary engagement objective and progressively ensure that stakeholder engagement permeates every aspect of our business planning and decision making. Please see **figure 1.0** and the supporting commentary below.

Preparing for engagement

Effective preparation lies in the identification and classification of stakeholders according to their level of expertise and the primary issues that drive their interest in the energy industry. Both are essential to ensure that the topics selected for engagement are relevant and continue to pique stakeholders' interest.

We recognise that, in addition to drawing on existing contacts, we also need to engage with stakeholder groups with whom there has been limited engagement in the past, and undertake research to identify and

target appropriate participants. **Figures 2.0 and 3.0** respectively show the groupings that we believe are essential to facilitate targeted engagement of our stakeholders, and the different parties within each of the targeted groups.

We are also imposing structure and process on the way in which we undertake engagement to ensure a two-way information flow with our stakeholders – please see *Integrating engagement into our business-as-usual processes* for more information.

Engaging with stakeholders

We aim to promote a broad dialogue with stakeholders in each of our operating regions to ensure that our plans are aligned to the interests of the communities we serve.

We want to know that every one of our stakeholders, from local residents to large corporations, has an opportunity to contribute to our business strategy. However, we recognise that our stakeholders have differing backgrounds and levels of familiarity with our activities and that these factors will almost certainly influence the frequency of their engagement with us. We therefore seek to optimise engagement by using a range of methods tailored to different stakeholder groups – for example, surveys, bilateral meetings, workshops, newsletters and forums.

While the main thrust of engagement should essentially be forward-looking (to drive future improvements in performance and customer service), equally it is important to maintain a link with previous and ongoing stakeholder relationships. Any new engagement initiatives

that are taken forward should complement existing activities. This not only ensures that work in progress is acknowledged and utilised but also means that parties that already engage with us are aware of the opportunities to influence our decision making and are able to raise issues of specific concern or interest.

Recording, assessing and responding to stakeholder feedback

Maintaining accurate records of our interactions with stakeholders is crucial to the overall success of our approach. Regular engagement will impart a clearer understanding of stakeholders' requirements but ultimately it is how we capture, assess and act on the intelligence received that will guide the direction of our thinking.

The system we use to record and monitor stakeholder interactions has been adapted from a database which was developed specifically for the purpose of logging engagement activities relating to the DPCR5 price control. The database has been maintained and enables us to select individuals based on a range of attributes and then track our subsequent interactions with them. Having considerable experience of the use of this tool, both during DPCR5 and, most recently, in support of our business planning consultations, we have created a central data repository to support company-wide engagement. Please see *Integrating engagement into our business-as-usual processes* for more information.

Evaluating the success of engagement

Continual evaluation is important at all stages of engagement to ensure that our approach successfully delivers against our objective of providing stakeholders with a genuine opportunity to influence the direction of our thinking. We are increasingly seeking ways in which to assess the effectiveness of our engagement. An example would be where we have successfully informed our audience through stakeholder engagement events and where we have received positive confirmation from stakeholders that we have responded to customer feedback through the implementation of particular initiatives.

The two stakeholder engagement seminars we hosted in April 2012 (Consulting on our performance during storms) yielded valuable feedback in this regard – please see *Integrating engagement into our business-as-usual processes* for more information.

In addition, we have recently designed a new process establishing a business-wide ‘support

network’ of stakeholder account owners – individual directors or senior managers who are responsible for ensuring continuous and targeted engagement with a particular stakeholder or group of stakeholders.

The process of implementing the new stakeholder engagement model shown in **figure 1.0** and embedding proactive

engagement in all aspects of business planning and decision making is an ongoing one, and in October 2011, we created a head of stakeholder engagement role to manage this. Some examples of the initiatives we have implemented are described overleaf in *Integrating engagement into our business-as-usual processes*.

Figure 2.0: targeted stakeholder groups

Domestic consumers and small and medium enterprises	<ul style="list-style-type: none"> • Little understanding of the energy industry • Require the most support to participate • Interested in consumer facing issues e.g. cost, environment and innovative services
Consumer focused enterprises	<ul style="list-style-type: none"> • Industrial and commercial customers • Potentially suppliers • Moderate to good understanding of the energy industry • Issues of interest aligned with domestic consumers and small and medium enterprises
Asset focused organisations	<ul style="list-style-type: none"> • Broad spectrum of stakeholders interested in ensuring optimum network investment e.g. generators, developers, skilled workers, innovative network users • Environmental groups interested in visual and carbon impact of assets • Moderate to good understanding of the energy industry • Interested in issues associated with connections, capacity and the environment
Locally focused organisations	<ul style="list-style-type: none"> • Includes a range of parties operating in the local area e.g. local government • Likely to have a low level of understanding and be interested in local issues
Experts	<ul style="list-style-type: none"> • Includes industry participants e.g. transmission owners (TOs), independent distribution network operators (IDNOs), distribution network operators (DNOs) and suppliers • Expert knowledge of the energy industry – able to engage at a detailed level

Figure 3.0: clarification of the parties comprising each stakeholder group

Domestic/SME	<ul style="list-style-type: none"> • Domestic consumers • Small and medium enterprises
Consumer focused	<ul style="list-style-type: none"> • Industrial and commercial customers • ‘The big 6’ • Independent suppliers
Asset focused	<ul style="list-style-type: none"> • Renewable energy advocates • Energy service companies (ESCos) • Construction • Street works • Landscape focused organisations • Electric vehicle (EV) developers • Gas • Water/sewerage • Telecoms • Organisations focused on carbon • Engineering institutions and boards • Credit rating agencies • Debt and equity investors
Locally focused	<ul style="list-style-type: none"> • Local community groups • Parish councils • Chambers of commerce • Regional development agencies
Experts	<ul style="list-style-type: none"> • Distributed generators • Generator developers • Other DNOs/IDNOs • Transmission owners • Suppliers

Integrating engagement into our business-as-usual processes

At UK Power Networks, we do not take knowledge about our business for granted.

To most consumers, the distinction between a DNO and a supplier is of no interest in times of normality and a cause of stress in times of electrical emergencies, as they realise they do not know who to contact. Feedback shows that lack of knowledge, in turn, negatively affects customer satisfaction.

The first phase of our engagement has therefore continued to focus on informing our audience of the role we play in keeping electricity flowing and understanding better how and on what subjects they would like to be contacted in the future. The feedback we have gathered through multiple channels reveals that this is what stakeholders, particularly in the residential sector, expect of us.

The second phase of our engagement has focused on gathering constructive feedback and acting on it. We have considered many best-practice principles when seeking meaningful and actionable feedback when undertaking our stakeholder engagement activities, which have increased in number, variety and depth of involvement.

Targeted, regular communication with our numerous stakeholders on all levels has enabled us to strengthen our existing relations and partnerships, plus build new ones. We are confident that our robust stakeholder engagement process, underpinned by a purpose-developed database and clearly-defined lines of responsibility, provides a solid basis for long-term stakeholder interaction, making stakeholder engagement business as usual at UK Power Networks.

Targeted engagement

We have held a number of stakeholder engagement events and undertaken surveys, exploring the issues that are of direct and immediate relevance to our stakeholders. These include planned shutdown notifications, long-duration and repeated power outages, plus power interruptions during storms.

Building on the feedback received from our stakeholders, we have introduced new notification sheets for planned shutdowns, replacing the previously-used A4 letters that were easy to overlook with much more distinct

colour-coded cards that provide advance warnings of planned, postponed or cancelled power cuts in a given area. Please see **figure 4.0** to the right.

For planned power cuts, the cards give the time range and reason for the shutdown. They also provide customers with the name and telephone number of the person responsible and the 24-hour emergency line contact number.

We have continued to use our next-day call back service to follow up with customers to ensure that there were no outstanding or unresolved issues after the restoration of power. We have used it as an opportunity to seek feedback on what we could have done better.

Based on those comments and the feedback received in face-to-face stakeholder interactions, we have modified our approach:

- in repeated outages, we now write to customers after the second occurrence, apologising and explaining the reason
- in lengthy power cuts, we write to apologise and inform of the reason if a power cut lasts eight hours or more (this contrasts with the earlier threshold of 18 hours)

Following the storms of January 2012, which damaged some overhead cables, we have reached out to our residential stakeholders in the most affected areas and invited them to two regional forums to review our performance. All of the customers invited had had their supplies affected during the high winds of early January, which encouraged a targeted discussion. We channelled the discussion further by inviting charities such as the British Red Cross and the Disabled Advice Bureau, which informed us of their experiences working with vulnerable customers during power cuts, and suggesting ways in which we can help in the future.

The feedback forms completed by the participants indicate that 100 per cent of them found the meetings informative and material covered relevant. Many attendees have explicitly asked for similar events to be held in the future and suggested new topics for engagement. We are now gauging interest for similar events focusing on the impact of the planned outages during the London Olympic Games and low-carbon technology.

In addition to face-to-face interaction, we have been active in using other channels, notably the internet, mobile, printed and social media (Twitter).



Figure 4.0: notification sheets for planned shutdowns

The underlying aim is to keep customers informed during power cuts as well as in times of normality. The emphasis on disseminating information and collecting feedback from stakeholders outside the periods of crises reinforces the trend of active interaction with stakeholders on all levels that is under way at UK Power Networks.

Purpose-built database

To ensure that we engage with our stakeholders in a consistent, transparent and well-documented manner, we have created a central data repository, Stakeholder Engagement Solution (SES).

We have transferred more than 2,500 stakeholder records from various smaller databases and matched more than 3,700 records of various stakeholder engagement activities to those records.

By doing this we have:

- **built a fuller understanding** of the range of stakeholder groups with which UK Power Networks is engaging
- **consolidated the track record** of key stakeholder engagement activities undertaken

- **enabled monitoring of actions** which will ensure that stakeholder engagement activities take place on an ongoing basis and that feedback gathered is acted on

SES went live in May 2012 and will enable the engagement process to be streamlined by facilitating regular dialogue and avoiding the need to go through a complex process of identifying relevant contacts in preparation for each stakeholder event.

A clear process and incentives mechanism are being put in place to ensure regular updating of the database, monitoring and compliance.

It is intended that SES will become the focal point of UK Power Networks' stakeholder engagement process, providing visibility and transparency to our numerous activities in this area.

Reinforced engagement

As a result of our targeted engagement, the interest in the range of services we provide during emergencies has soared. We have been approached with requests to provide hundreds of brochures and leaflets. Our materials are currently being distributed through various channels proposed by the stakeholders. These include GP surgeries, parish councils and charities. Indeed, in many cases, our stakeholders, such as the Disabled Advice Bureau, have volunteered to distribute the materials on our behalf. The leaflets detailing the services we provide for vulnerable customers have been in particularly high demand.

Our direct engagement with customers is reinforced through community support that we undertake in partnership with the British Red Cross and the use of 'customer champions' –

volunteers from within UK Power Networks who assist our field teams in electrical emergencies by informing and providing practical support to customers on site.

Following the successful trialling of the customer champion initiative last year, we have rolled it out as a permanent service that provides customers with a direct information channel. We now have 50 specially-trained customer champions who help ensure that a customer support mechanism is available on site in case of power cuts and electrical emergencies. Following every visit, a customer champion fills out a review form to capture feedback. Going forward, it is intended that these forms will be fed into the SES database, with the stakeholder views consolidated, analysed and acted on.

Building on the feedback from stakeholder engagement forums, we have launched the trial of glow-in-the-dark emergency contact cards and stickers for general and priority customers (with a dedicated contact number) – please see **figure 5.0** to the right.

The initiative has been very positively received by the target audience and we intend to make the cards more widely available in the coming months.

Capitalising on three years of qualitative and quantitative research into customer expectations, we have produced videos that capture the main learning points and present them in a thought-provoking way. The videos will be used in roadshows for our Customer Service staff later this year to shape and improve our customer service strategy.

Targeted engagement has helped us strengthen relations with existing

stakeholders and reach out to new ones. We have established strong links with charities and members of the public – the stakeholder group that is generally notoriously difficult to engage on matters relating to electricity distribution.

We have used and will continue to use every opportunity to gather meaningful and actionable feedback that we believe not only contributes to long-term business planning but also improves our day-to-day performance in the short run. After all, this is what business as usual is all about.



Figure 5.0: emergency contact cards

Engaging with our stakeholders: business planning – scenarios and outputs

Our engagement with stakeholders around business planning in 2011 was focused on the development of planning scenarios and output measures on which our business plan for RIIO-ED1 will be based. A summary of the process followed and the associated outcomes is provided below.

Stakeholder consultation: "scenarios"

Scenario planning is a core process within the overall review of the investment plans we will present to Ofgem in 2013 and aims to explore possible futures for the UK's energy networks in the context of a low-carbon economy. The transition to a low-carbon economy will impose significant demands on the electricity distribution system – most crucially from the

perspective of required capacity. This will dictate the level of investment that is required to reinforce our three networks. Recognising that stakeholders should be involved from the earliest phases of our business planning cycle, we were keen to ensure that a number of key stakeholders had the opportunity to review and comment on the scenarios we had developed so that they could be refined and improved on where necessary.

We started from the premise that the diverse nature of our networks would necessitate regionally-specific scenarios and that, consequently, we should seek the views of stakeholders in each of our three licensed areas: the East of England, London and the South East. To this end, we hosted four dedicated stakeholder events – three regional workshops and an online forum – to debate four very different scenarios and the potential planning assumptions which might result and would then underpin the development of our RIIO-ED1 business plan. These events and the generated outcomes are described more fully below.

In June and July 2011 we hosted three regional workshops, to which we invited stakeholders with expertise in such fields as planning and economic development and low-carbon technologies, to promote an informed debate about the themes we wished to cover.

At each workshop the business planning process was explained, the scenarios that had been developed were presented and attendees were given the opportunity to review, discuss and challenge the scenarios.

The scenarios focused on two main elements which we believe will influence the requirement for future network capacity in our three regions: economic growth and the take-up of green behaviours and technologies. Through discussion of each of the scenarios in turn, we gathered a range of stakeholders' views on the different assumptions that made up each scenario and the likelihood of those assumptions being realised.

In parallel with the workshops, we hosted an online forum via our stakeholder engagement website to give stakeholders a further opportunity to provide feedback on the scenarios. The scenario materials that were presented to attendees of the regional workshops were also made available. Over 50 people visited the site, 11 of whom offered feedback on one or more of the scenarios.

In the workshops and in the online feedback forms submitted, a number of issues were raised generally about the scenarios or came up repeatedly when specific scenarios were

discussed. A frequently expressed view was that business and domestic users might respond differently within each scenario, and that there would be some value in exploring likely experiences for both sectors.

A number of technologies were mentioned repeatedly. Wind power, both onshore and offshore, was frequently questioned in the scenarios where significant increases in this technology were suggested.

The general view was that the Department of Energy and Climate Change's (DECC) forecast for the development of onshore wind was somewhat optimistic due to ongoing public opposition, planning constraints and the like. It was also felt that there should be a greater focus on other technologies that may well have a significant impact in the future, such as Combined Heat and Power (CHP) and energy from waste.

We have used this feedback and other views expressed by our stakeholders as the basis for an additional 'hybrid' scenario which contains elements of the original scenarios but takes a decidedly more conservative approach in a number of areas – one being the take-up of green technology in its various forms. We will use this scenario to define the basic planning assumptions that will underpin the first draft of UK Power Networks' business plan.

Subsequent to the online forum, DECC and Ofgem announced that they would be sponsoring industry discussions on planning scenarios. We have played a very active role in these discussions and our earlier engagement has given us a real insight into stakeholders' views which could be shared as part of this process. This will culminate in the development of a set of scenarios during the spring of 2012 which DNOs will be able to use in their preparations for RIIO-ED1. We will need to compare these scenarios with the hybrid referred to above, and then reach a conclusion on the appropriate scenarios to use in the development of our final business plans. It is our intention to seek stakeholders' views on this final scenario.

Stakeholder consultation: "outputs"

The development of meaningful "outputs" – where an output is the delivery of a product or level of service – is another essential process within the overall review of our investment plans for 2013. It is the focus of the second phase of our stakeholder engagement around business planning.

In the course of its work to develop the new RIIO regulatory framework, Ofgem established a number of output categories – areas of performance in which DNOs must ensure delivery during the next price control period. As an input to our planning process, we wanted to give our stakeholders the opportunity to explain how they interpreted these categories and to define what they regarded as meaningful performance measures for distribution companies. We were also keen to hear their views on the potential outputs we had developed.

During the autumn of 2011, we undertook four separate strands of engagement in order to gauge the views of a broad range of stakeholders: a workshop, an online consultation, targeted interviews with stakeholders with expertise in one or more of the output categories, and focus groups made up of domestic customers.

For the purpose of this exercise we broke Ofgem's output categories down further. The result was eight categories: safety; conditions for connections; customer satisfaction; environmental performance – environmental impact of our operations; environmental performance – facilitation of the low-carbon economy; network reliability and availability; social impact; and company-specific outputs.

On 17 November 2011, we hosted a full-day workshop in central London with the dual aim of helping stakeholders to better understand the context of outputs and of encouraging their suggestions as to possible performance measures.

In compiling the mailing list for the event, we targeted organisations and individuals with a strong regional interest or particular expertise in specific output categories. The event was well attended: 62 stakeholders participated, drawn from the three UK Power Networks operating regions.

From 12 October to 1 December, 2011, we gave our stakeholders a further opportunity to comment on this topic via an online consultation. We also made sure that the output materials that were made available to the workshop attendees were published on our

stakeholder engagement website. Participants were asked to provide their opinions on the existing outputs and possible new outputs proposed by UK Power Networks in each of the eight categories, along with any suggestions of their own. Additionally, and specifically in regard to the network reliability and availability output category, stakeholders were asked to provide their opinion of network availability and the transition to a low-carbon economy. A total of 21 stakeholders responded to the online consultation.

In November and December 2011, in the interests of ensuring the widest possible coverage of views, we conducted interviews with stakeholders who were unable to attend the workshop. Examples included: an environmental charity; a local authority street works manager; and a local authority lighting engineer. The primary objective was to facilitate an in-depth discussion about a couple of the output categories, as selected by interviewees. However, each interview endeavoured to capture all that the interviewees were willing to discuss. During the interviews, stakeholders were asked questions about their chosen outputs and their answers were recorded. Interviewees were then sent transcripts of the interviews and given the opportunity to confirm that they were an accurate record.

While the event, online consultation and interviews enabled us to consult with a diverse range of stakeholders, they were not ideal forums for engaging with domestic customers.

It is our belief that we should seek to include this stakeholder group wherever possible in the planning process and hence we opted to organise a number of focus groups. Each group was made up of a mixture of customers who had previously interacted with UK Power Networks (due either to experiencing a power cut or requiring a connection) and customers who had not. The objective was to identify activities that domestic customers regarded as being important for a DNO and thereby stimulate ideas as to what would constitute “good” and “great” performance levels.

We learned some significant lessons from the focus groups:

- domestic customers were able to provide valuable insights, although they needed some time to more fully understand the role of distribution companies within the wider energy market
- when asked what was most important to them, each group arrived ultimately at the six output categories defined by Ofgem
- within those categories, the participants were able to apply their experience of other service organisations and so provide extremely valuable feedback on their expectations

The findings from this process have undoubtedly permitted a clearer understanding of our stakeholders’ requirements and will be used to develop a set of potential output measures.

Figure 6.0 shows the total number of output measures debated with stakeholders through the four separate strands of engagement and the status that UK Power Networks has assigned to each of them. Figure 7.0 shows a sample of the comments expressed by stakeholders in relation to the conditions for connections output category and UK Power Networks’ initial observations or reactions to those comments.

We plan to consult with stakeholders on the suitability of proposed measures later this year and will subsequently work with them to establish appropriate performance that can be converted into target deliverables within our future business plan.

Through the forums provided by the scenarios and business planning engagement, UK Power Networks has been able to enhance its relationships with a number of key stakeholders. For example, London First, a representative body for business in London, has facilitated the involvement of its member organisations and other related parties in our consultation processes. This has resulted in the establishment of a working group, including bodies such as the Greater London Authority, to input to and review our load-related investment plans for London.

A full record of our discussions with stakeholders around both scenarios and outputs is published on our dedicated engagement website:

yourviews.ukpowernetworks.co.uk

Figure 6.0: output measures discussed with stakeholders

UK Power Networks’ response to stakeholders

Output category	Total number of output measures discussed with stakeholders	Number of output measures to be taken forward by UK Power Networks	Number of output measures already being progressed by UK Power Networks	Number of output measures under consideration by UK Power Networks	Number of output measures which UK Power Networks does not intend to progress
Safety	7	0	3	3	1
Conditions of connections	9	6	2	1	0
Customer satisfaction	4	1	1	2	0
Environmental performance – environmental impact of our operations	11	5	4	2	0
Environmental performance – the low-carbon economy	7	0	3	4	0
Network availability and reliability	12	2	1	8	1
Social impact	3	1	0	2	0
Company specific outputs	2	2	0	0	0

Figure 7.0: sample of stakeholders' comments on connections output measures

Output measure	Stakeholders' comments	UK Power Networks' responses
Guaranteed standards of performance (GSoP)	Whilst stakeholders appreciated the intention behind the GSoPs, there was concern that it encouraged activities to be managed to the defined timescales, rather than promoting a flexible approach that met each customer's specific needs.	We recognise the concerns of stakeholders which have been routinely expressed to us. We will be promoting the concept of an average Time to Connect for defined customer segments and/or types of connection, as part of the price control discussions.
Obligations under SLC 15	ICPs would like to be recognised as customers and hence have the same protections under SLC 15. Despite past work on transparency of connection charges, stakeholders still want a more detailed breakdown of UK Power Networks' charges, including third party costs.	ICPs are already recognised as customers under SLC 15 and have all the rights that come with this. We recognise the desire for transparency in charges, and this is being pursued as part of our current work to promote competition in connections.
Greater certainty over time to deliver some parts of a connection	There was general support for a possible output.	We favour the introduction of a Time to Connect measure. We would be willing to enter into contractual clauses and liquidated damages if we failed to deliver and it is demonstrably our fault; however, this would require changes to the Common Connection Charging Methodology. We will raise this with the appropriate price control working group.

Engaging with our stakeholders: competition in connections

DPCR5: an opportunity

Ofgem's proposals following the last Distribution Price Control Review included a requirement for DNOs to demonstrate that the connections market in their area was fully open to competition. Each DNO was required to submit a competition notice by December 2013 demonstrating that, for each of nine relevant market segments for different classes of connection, all possible steps had been taken to ensure that connection customers were able to benefit from effective competition, enabling independent connection providers to compete effectively in each DNO area.

The competitive landscape

There are two alternatives to the DNO in the connections market. An independent connections provider (ICP) is entitled, through being accredited under the Lloyds Register National Electricity Registration System, to build electricity networks to the specification and quality required for them to be owned by a DNO. An independent distribution network operator (IDNO) has a wider scope in that, after building the local network, it will continue to own it and provide maintenance and 24-hour fault repairs. As these companies rely on UK Power Networks providing certain services, we recognise that they are our customers for the provision of those services.

Engaging our competitors

We believed the best way to understand competitors' needs was to ask them directly. In late 2010 we invited the competitor companies working in our area to a workshop entitled "Embracing Competition", where we asked them to identify barriers to competition and areas where we might extend the scope of work open to competition.

We used the information they provided as the basis for a competition development programme and created a competition development manager post to manage this process. The programme comprised two strands: a suite of improvements to our processes, agreements, communications and behaviours and a series of pilots enabling ICPs to carry out work not previously considered contestable, such as live jointing of the new connections they have constructed to the DNO low voltage mains network.

Commitment to action

Through a further collaborative workshop in February 2011, a prioritised 29-point action plan was agreed. At a third workshop in May 2011, representatives from 19 ICP and IDNO companies agreed to join our Director of Connections and his team in signing a commitment charter affirming that delivery of

the agreed actions, together with any mutually-agreed, follow-on actions, would help create the conditions necessary for competition to flourish in the UK Power Networks area. Please see **figure 8.0** below.

Figure 8.0: commitment charter

Company	Signature	Signature
David Webster	David Webster	Fred Hamington
Dragon Infrastructure Solutions	OS	Tim Pope
Energy Exchangers	Energy Exchangers	David Cox
ESP Electricity	ESP	Gratham Cotton
Freedom Power Projects	Freedom Power Projects	Matt Hardcastle
GTC	GTC	David Overman
Matrix Networks	Matrix Networks	Arthur Elson
Metrolab Power Engineering	Metrolab Power Engineering	Steven Gist
Nationwide Distribution Services	Nationwide Distribution Services	Sean Conway
Power Jointing Distribution Services	PJDS	Steve Harvey
P.N. Daly	P.N. Daly	Patrick J. Daly
Power On Connections	Power On Connections	Chris Bean
Power Systems UK	Power Systems UK	Mark Tanner
SSE Utility Solutions	SSE	Brian Loft
Skanska Utilities	SKANSKA	Alan Phillips
Sterling Power Utilities	Sterling Power Utilities	Phil Reed
Utility Network Connections	Utility Network Connections	Bill Jones
Amey LG	Amey LG	Stephen Bolland
Harland Engineering Services	Harland Engineering Services	Richard Hibbert
UK Power Networks	UK Power Networks	Patrick Clarke
UK Power Networks	UK Power Networks	Mark Adolphus
UK Power Networks	UK Power Networks	Steve Wood
UK Power Networks	UK Power Networks	Sue Jones

Delivering on our commitment

Having completed the initial 29-point action plan, we moved on to launch an 18-point Phase 2 plan to stakeholders in October 2011. With these two phases complete, we have now made the transition to a continuous improvement approach that will ensure we maintain our focus on competition going forward. In addition to these improvement actions and as a result of engaging with our stakeholders, we also embarked on a series of pilots to extend the scope of work open to competition.

Tangible improvements

A wide range of improvements has arisen directly from our engagement with ICPs and IDNOs. These include:

- simplifying and standardising the legal agreements we enter into with ICPs
- providing clearer information to help customers understand their competitive options
- providing a web portal with access to our networks plans
- increasing the quality and quantity of information available online to help ICPs design to our standards
- giving ICPs and IDNOs a better way to obtain legal land consents on our behalf
- providing greater transparency of our charges

Channels of engagement

Competition workshops are now established as regular events, with the seventh held in April 2012 and a commitment to provide these sessions on a permanent basis. In all, 49 different individuals have represented 29 ICP and IDNO companies at one or more of these events. While there has been positive feedback, we recognise that the process has not been without its challenges and that there is still work to be done. We will continue to work closely with our stakeholders in shaping our improvement plans and devising tangible actions. We have also worked with subsets of this group to develop specific improvement solutions, including a more efficient process for ICPs to secure land consents.

We also produce a monthly competition newsletter which is sent to all our ICP and IDNO contacts by email and published online – please see **figure 9.0**. This provides an action plan update and highlights specific improvements that are under way.

Customer awareness

While taking steps to improve the service we provide to competitor connection companies, we have also addressed the needs of the end connection customer. Our website now makes it easier for them to find out about the competitive alternatives available and how to pursue them. We also have an information leaflet called “Did you know you have a choice?” explaining the concepts and setting out which aspects of connections work are open to competition (see **figure 10.0**). This leaflet is available online and is sent out with application forms and quotations.

Further to these generic customer communications, we also seek to engage with customer groups in various ways. For example:

- the chairs of two customer groups recognised by Ofgem, the Metered Connections Customer Group and the Unmetered Connections Customer Group, are invited to all stakeholder workshops
- Highway Services customers (primarily local authorities) are briefed on competition in relation to unmetered connections (UMC) at our regular UMC forums
- we are planning an event for major customers and their intermediary agents, to raise awareness of changes in the competitive landscape and to gauge their views

Stakeholder surveys

In late 2011 we launched a series of online and postal feedback surveys, asking several different groups of customers and competitors targeted questions about their perceptions and experiences of the state of competition.

Customer feedback

The message from repeat customers was encouraging, with 86 per cent of those that responded claiming to understand the competitive alternatives available and 86 per cent feeling able to benefit from competition. In the highway services arena, 83 per cent of respondents who had used an ICP felt UK Power Networks had enabled the ICP to operate on an equal footing.

Feedback from one-off connections customers was varied. Although 86 per cent of respondents had some understanding of the competitive alternatives available to them, only 43 per cent felt it was clear how to opt for those alternatives. This feedback is being taken into account in shaping further improvements to our online guidance for customers.

Competitor feedback

ICPs and IDNOs have generally responded positively to the level of engagement inherent in our approach to competition development. Following a recent competition workshop, 100 per cent of respondents agreed that they were looking forward to participating in future sessions. Attendee comments included:

“Having worked with UKPN for the last six months I know how hard everyone has worked on this to make it happen.”

“One of the leading DNOs in facilitating competition from being the worst performer two years ago.”

However, the online survey findings indicate that, while our efforts are noted, there remain operational issues that can tend to affect an ICP’s ability to compete. These are channelled back to the business to follow up.

We also surveyed those ICPs that are not currently active in the UK Power Networks area to understand whether there was anything we needed to do to facilitate their entry into the market. 56 per cent of respondents had previously made an application to UK Power Networks but of those, only 33 per cent were within the last two years. This has led us to explore opportunities to engage with this group to show what improvements we have made and thereby encourage them to re-enter the market. Subsequently, two such companies have recently contacted us to ask to attend our workshops.

Figure 9.0: sample competition newsletter



Competition Newsletter

ISSUE 11
JANUARY 2012

EMBRACING COMPETITION

News in brief

Extending the scope of competition
Our first pilot for unretired live piling to our main is in transition to business as usual and two further live piling to main pits, one unretired and one retired, are ongoing. Our focus is now on mobilising further retired pits and we are working with four companies with a view to mobilising as soon as they are in a position to do so. We also continue to work with an ICP to begin an HV piling pilot.

Survey
We have undertaken extensive surveys of the ICP/DNO and customer communities to gauge feedback on our performance in both raising awareness of and enabling competition. The findings will help shape ongoing improvements.

Growing interest in Competition Workshops
Our sixth competition workshop, held in London on January 17, had more attendees than any of our previous sessions, with 21 ICP and DNO representatives coming along to hear about our progress and future plans. Many of the new faces were from companies that provide connections in the Highway Services sector. They commented that a more segmented approach would be of benefit for future sessions, with a commercial briefing on matters of general interest, but separate sessions to enable groups with common interests to discuss topics that are directly relevant to them. Sessions included updates on our new consents and easements processes and access to online plans, as well as an in-depth review of current and planned areas for extension of connectivity.

2012: a team effort
Last month we reminded you of some of the changes we made in 2011 in consultation with ICPs and DNOs to ensure a level playing field for new connections in the UK Power Networks area. In 2012 we will not only complete the remaining actions in our Phase 2 plan (see over) but also ensure that all the improvements implemented over the past year are understood and delivered consistently throughout our business.

December actions completed ... and some of our work in progress

- A new, streamlined **Construction and Adoption Agreement for network connections** is now in use. Questions comprise a letter supported by standard terms and conditions and associated legal documents that are held online.
- A new **ICP Consents process**, developed with a group of ICPs and presented at our January workshop, is now active.
- We've also launched a process to enable you to access existing **UK Power Networks easements**.
- We reviewed our **audit and inspection regime** and updated our standards for ICP/DNO and internal contractor staff.
- We're developing a **Competition O&A Service** to enable you to get your questions on our policy, standards, specifications and processes answered.
- Our external solicitors, DMH Stallard, are setting up a means to provide you with **weekly email updates on legal** for live projects.
- Having improved our agreement for network connections, we'll be looking at the best approach to streamline **construction and adoption agreements for Highway Services** connections.
- We're putting the finishing touches to a new **consents process for DNOs**.

UKPN Consultations

- We are in the process of considering consultation responses received to a new DNO consents process.
- We are currently reviewing options for simplifying unretired construction and adoption agreements and will be consulting in due course.

Figure 10.0: customer information sheet

Did you know you have a choice?

Did you know you can seek competitive quotations from an Independent Connection Provider for many elements of the work involved in getting an electricity connection?

How it works
You do not have to choose UK Power Networks, although there are certain elements of the work that only we can complete. Alternatively, you may prefer UK Power Networks to carry out all of the works that are required - this choice is yours.

The work involved in providing you with a new electricity connection is split into two categories:

- 1. Contestable work**
These are elements of the work that can be completed by either an Independent Connection Provider (ICP) or UK Power Networks.
- 2. Non-contestable work**
These are elements of the work that can only be completed by UK Power Networks.

What is an Independent Connection Provider (ICP)?
An ICP is an accredited company that is entitled to build electricity networks to the specification and quality required for them to be served by UK Power Networks.

Where to find an ICP
For a current list of ICPs, please visit www.beyondelectric.co.uk/when.html. Alternatively, we can recommend any specific ICP for you to use as this would discriminate against other ICPs. Also, we could not be certain of maintaining up-to-date records of their accreditation status.

What qualifications or approval does an ICP need to have?
For an ICP to carry out contestable work on our network, they must be registered with the Local Electricity Distribution Scheme (LEDS) and be accredited to undertake the relevant work in UK Power Networks' geographic area (London, the South East and the East of England).

Do all ICPs have approval to do the same types of work?
You will see from the table on the next page that you will be asked to submit a design of the work to us. Not all ICPs have this approval so you may have to employ a second ICP for this element of the work. Please keep this in mind when appointing an ICP.

Who can do what?
This table indicates the work involved in getting a typical network connection, and which parts of the work can be done by an ICP if accredited for that element.

	Independent Connections Provider (ICP)	UK Power Networks
The design of your connection including new network back to our existing network*	✓	✓
digging and filling at all trenches on your property for the installation of electrical cables	✓	✓
digging and filling in at trenches on the public highway for the installation of electrical cables	✓	✓
excavation and joining of electrical cable and service pits	✓	✓
Construction of substation/transformer buildings (the physical building work is normally carried out by the customer)	✓	✓
Installation of electrical switches and transformers	✓	✓
Some discretionary work associated with existing cables on your land	✓	✓
Design of alterations to an existing network	X	✓
Design of alterations to our existing network	X	✓

*These note that all ICP designs must be approved by UK Power Networks, for which a Design Approval Certificate is issued, prior to the commencement of any work on site.

To support the tasks shown here, UK Power Networks will:

- Assess how your electricity connection will affect our network.
- Decide the point of electricity connection to our network (known as a PCO).
- Specify the materials to be used.
- Enter into legal agreements with third parties for the installation of electrical cables and overhead lines on their property.
- Approve any design work that has been carried out by an Independent Connections Provider.
- Inspect, monitor and test any work done by an Independent Connections Provider.

What is an Independent Distribution Network Operator (IDNO)?
It is also possible to have your electricity connection from an IDNO. They will build and continue to own this local network and provide all ongoing network services, including maintenance and 24-hour fault repairs. The IDNO will also arrange the point of connection to our network. You can find a list of companies that hold a licence to provide this service from www.ofgem.gov.uk.

Design Specification
To assist your appointed ICP or IDNO in undertaking works, national documentation has been developed setting out common requirements for design and planning. Mutual specification and installation and records. Each of these is supplemented with a UK Power Networks appendix that should be read in conjunction with the national framework documents. All of these documents can be found at www.ukpowernetworks.co.uk.

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Summing up: a customer-centric approach

It was clear from the outset that collaboration with ICPs and DNOs would put us in the best position to succeed in our aim to create a level playing field for connections in the UK Power Networks area.

Our experience shows this to have very much been the case as we have now forged strong relationships with these companies. This bodes well for healthy and successful competition for the benefit not only of the various connection providers but, most importantly, also for the end customers that require new connections to the UK Power Networks electricity network. This was summed up by an unsolicited accolade from an ICP in a recent trade journal:

“UK Power Networks... has a growing competition in connections team which works solely with independents and has been listening to what we want through regular communication.”