

**National Grid Gas Distribution**  
**Part 1 - Overview of Evidence**

As per the requirements of the Stakeholder Incentive Trial submission for Part 1, this 10-page report highlights our stakeholder engagement at **National Grid Gas Distribution** (NGGD) and makes reference to supporting evidence that is indexed throughout this document and listed at the end. This submission describes the important role our stakeholders play to help shape our business decisions and how external frameworks, third party audit and evaluation ensure that we will continue to have a robust strategy in place.

*The company has a comprehensive and up to date stakeholder engagement strategy, which sets out:*

- *How it keeps stakeholders informed about relevant issues, business activities, decision-making and other developments;*
- *How it enables timely input and feedback from stakeholders via appropriate mechanisms to inform decision making*

Consulting and looking for ways to improve

Historically, our stakeholder engagement strategy was to engage with specific interest groups on specific projects, as opposed to a more holistic approach. As we prepared for our Price Control Review (RIIO-GD1), and the development of our 8 year business plan, we launched our **preliminary stakeholder consultation** [1]. This consultation, sought to better understand *who* our stakeholders are, *how* they want to engage with us, *what* areas were important to them and *when* we should consult with them.

The **results and conclusions** from this preliminary consultation [2] formed the basis of our initial engagement strategy. We also sought views on the behaviours our stakeholders wanted to see from us before publishing our Stakeholder Engagement **Policy Statement** [3] which set out our engagement principles.

Implementing new ideas

Following stakeholder feedback, we launched a dedicated website called '**Talking Networks**' [4]. This acts as a repository for information and a central point of contact. This website now holds more than 100 registered users across a broad range of stakeholders including for example, Energy Networks Association (ENA), Morrison Utility Service, DONG Energy, London Borough of Hackney and National Energy Action (NEA). All of our material and outputs from our engagement are published on this website portal so that non-workshop participants can also be involved and provide their views.

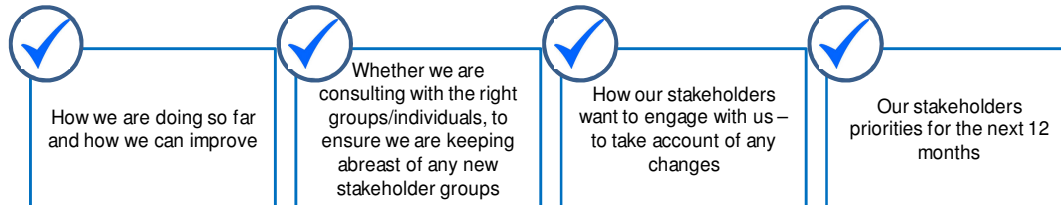
Reflecting on our achievements

Following the submission of our RIIO-GD1 business plan [5], we received positive **feedback** including Ofgem's own assessment that stated [6]: "*We consider that the NGGD stakeholder engagement was robust...[NGGD] considered how best to engage with a wide range of different stakeholders...[and to] understand priorities and key issues before identifying solutions.*"

Building on this and recognising that we needed to gather **lessons learnt** we took stock, both internally and with our stakeholders. This process helped us to appreciate that we needed to build on what was good and develop opportunities where we could improve.

This reflection also included the launch of our three month formal stakeholder **feedback consultation** in November 2012 [7] and subsequently refreshed to allow for further engagement [8]:

Figure 1 - Gathering Lessons Learnt and Formal Consultation that asked:



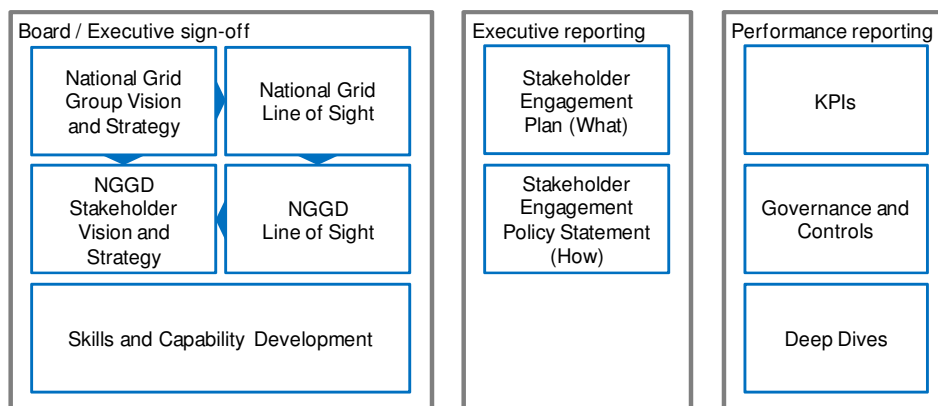
We published the results of this consultation [9] including our commitment to stakeholders of the **actions we are committing to for 2013**. For stakeholders who have not yet participated or who have asked to participate later in the year we will develop an annual engagement plan to facilitate this.

Looking forward

Continuous improvement

In addition to looking **externally** at what our stakeholders want from us, we have also been looking **internally** at how we can improve our delivery. We have come to appreciate that stakeholders play an important role in our decision making process; in particular, we have actively reviewed our own internal practices and established appropriate governance and controls.

Figure 2 - Internal Process



At all stages throughout the development of our RIIO-GD1 8 year business plan, we engaged with our stakeholders to understand their **priorities** and to further develop our stakeholder **vision** (our long-term destination), **strategy** (how we will realise our vision), and engagement **principles** and values. This framework is the foundation by which we identify our stakeholders, engage with them, understand and discuss their needs, act on feedback and ideas, keep them informed, and monitor, review and improve. It ensures that we are doing the right thing and provides a platform that is able to facilitate open and transparent discussions.

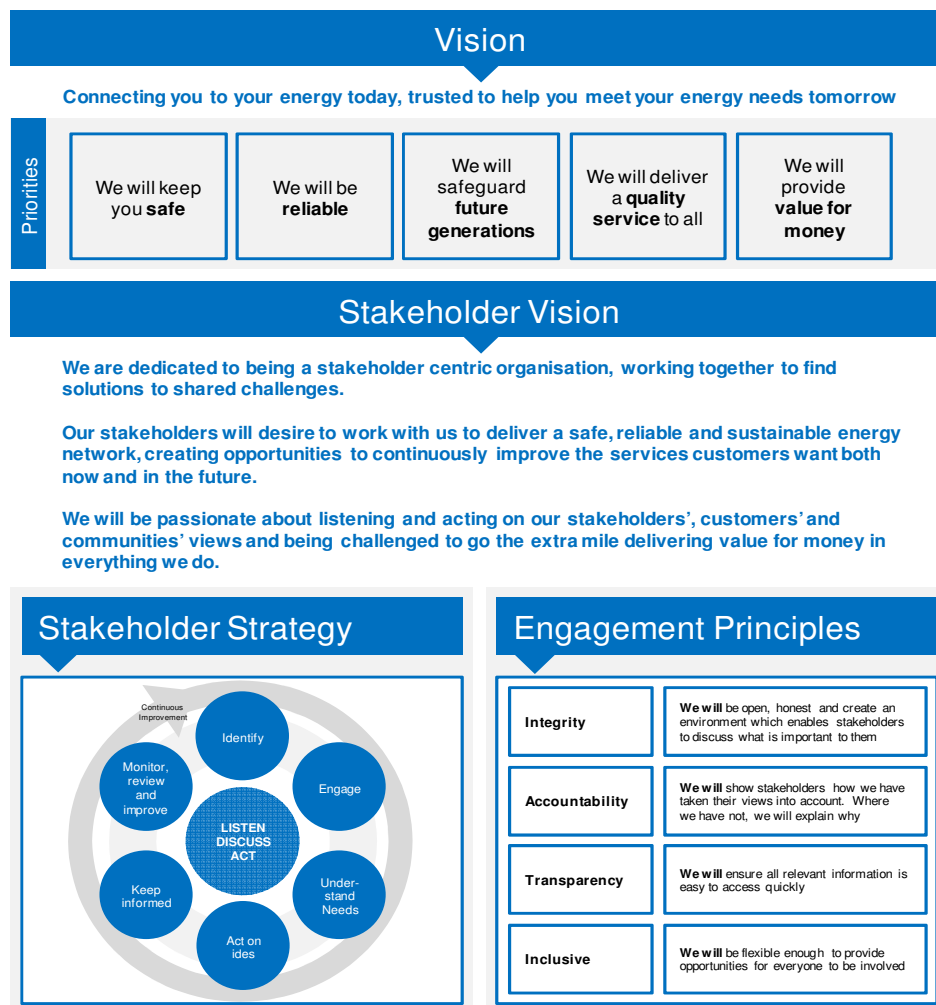
Stakeholder Vision and Strategy

Our 2013/14 stakeholder vision, strategy and principles have been **approved** by our Gas Distribution Executive Committee chaired by our Director of Gas Distribution [10].

Our stakeholder vision and strategy aligns to our **Line of Sight**. This framework flows from our wider National Grid Group vision and strategy, and enables us to understand the priorities for the year, and our role in delivering these priorities. Importantly, it demonstrates that *how* we deliver is as important as *what* we do. Each year our Line of Sight evolves to ensure it remains relevant.

Our five key business priorities (see figure 3) were developed throughout our rounds of stakeholder engagement during our business planning journey. Our stakeholder vision and strategy will similarly evolve, also taking into account our stakeholders' views. This sets out our **long term approach** to stakeholder engagement as well as how it should be implemented through our objectives and plans. It supports our framework by which we manage our stakeholders, setting goals to promote **continuous improvement** in how our stakeholders are managed throughout their **lifecycle**, from identification through to relationship building.

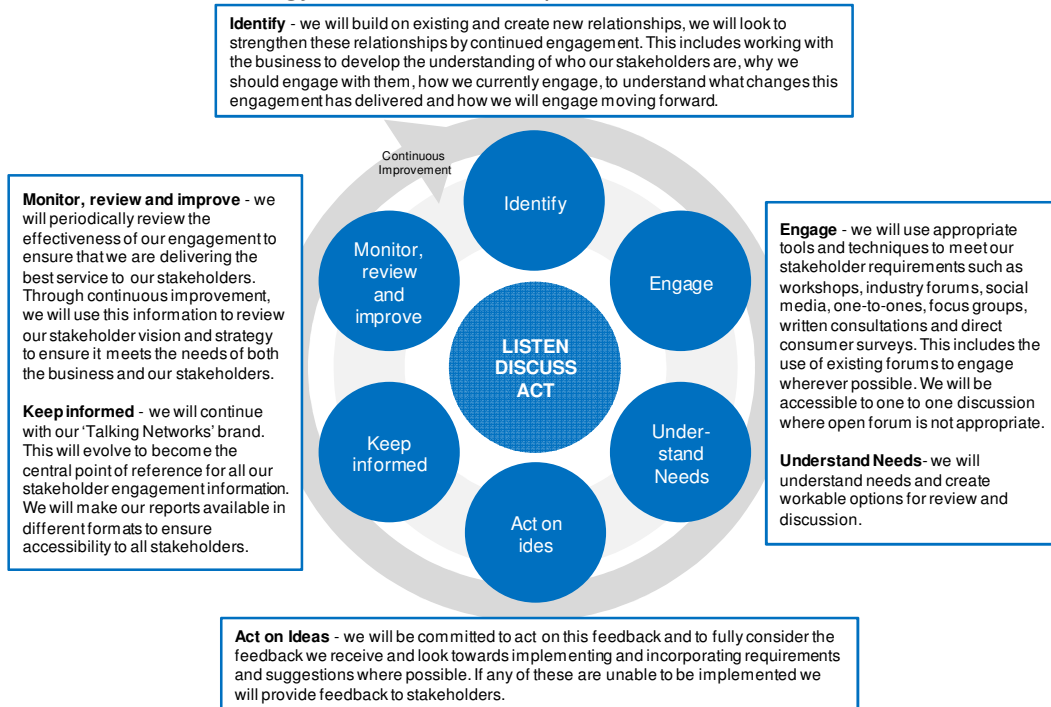
Figure 3 - Stakeholder Priorities, Vision, Strategy and Principles



As part of our **management review**, our stakeholder vision and strategy document includes a review process so that it is updated based on lessons learnt and stakeholder feedback. This review process will ensure that our stakeholder vision and strategy remains **relevant and consistent**, as well as build an element of continuous improvement.

Following the success of our early work, our strategy has evolved over the last two years following further input from our stakeholders. Our strategy clearly outlines how we **identify** our stakeholders, **engage** with them, **understand and discuss** their needs, **act** on feedback and ideas, **keep them informed**, and **monitor, review and improve**. Figure 4 below illustrates our stakeholder strategy and how this will enable and embed continuous improvement.

Figure 4 - Stakeholder Strategy and Continuous Improvement



Enhancing our Internal Controls

Delivering on our strategy relies on a number of strands coming together and these are summarised below (as shown in figure 5):

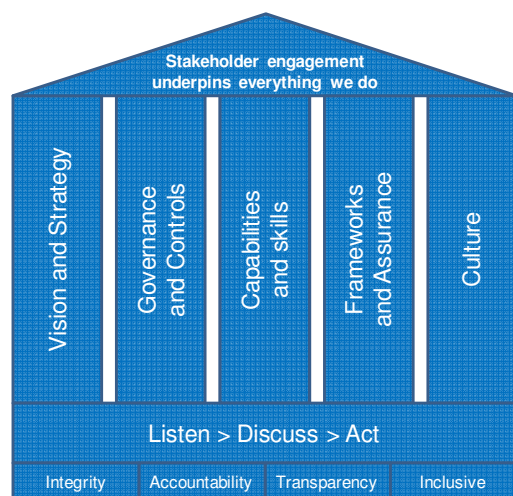
Governance & Controls

To underpin our stakeholder vision and strategy, to ensure that we will deliver our strategy, we have put in place essential **governance and controls**. This is also supported and managed by a dedicated **stakeholder management team** and a robust **project management** approach.

We have developed new stakeholder performance management information, targets and **key performance indicators** [11] which will help us to achieve our stakeholders' objectives and requirements in a timely and controlled manner.

These KPIs are reported to our Gas Distribution Performance Committee (DPC) chaired by the Director of Gas Distribution, and attended by our **Executive Team**. **Deep dives** (in depth challenge and review sessions) on how we conduct our engagement, the outcomes we are delivering, and how we are satisfying our stakeholders are a key aspect of this.

Figure 5 - Our Stakeholder Framework



### Frameworks & Assurance

We understand the importance of **independent external assessment and accreditation**; these will help us to identify where we need to make improvements, develop action plans, demonstrate our continuing commitment to improvement, and improve customer and employee satisfaction. We are working towards the following:

- **Customer Service Excellence (CSE)** - We have been working with an external accreditation provider to independently assess our capability against a recognised framework for best practice for CSE across the *whole* of our gas distribution business (i.e. not just a single function, process or areas of the business). We have a delivery plan in place and we are now actively working towards full accreditation of our gas distribution business by autumn 2013 [12].
- **Institute of Customer Service (ICS)** - The ICS is the professional body for customer service. We have been working with the ICS to achieve their service mark to be awarded in summer 2013. This recognition includes an annual review process, two questionnaire surveys across both customers and employees and scored against different categories. ICS then gather and independently analyse with the support of an external assessor to verify the results.
- **AA1000SES** - This is the Stakeholder Engagement Standard that provides a principles-based, open-source framework for quality stakeholder engagement. We have been mindful of, and employed the engagement principles in this framework, as we have developed our thinking.

### Core Skills & Capabilities

Whilst we continue with our active programme of stakeholder engagement we recognise that we must also **improve our own core skills and capabilities** in order to get better at what we do and in how we work with all of our stakeholders. To support this, we have identified a structured capability programme to improve our skills and capabilities across a number of activities and at all levels of the organisation. A key capability requirement identified by our Executive team is 'Stakeholder Management'. All capabilities have been **signed off by the Executive** and each has an **Executive sponsor**. This is also part of an induction package to the business for all new starters including apprentices, graduates and senior managers.

To take this forward, in autumn 2013, we will be introducing an **academy and curriculum** to support stakeholder learning and this will provide structural leadership and staff learning and development to enhance our key capabilities - stakeholder management will be early in the curriculum to help us to establish stakeholder experts and a stakeholder centre of excellence.

### Culture

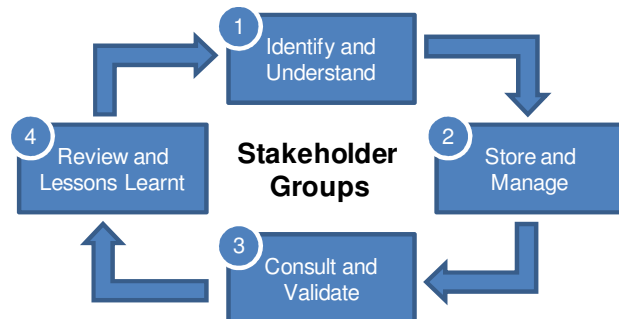
All of the above will improve and **further embed** our management, skills and capabilities that will become inherent in how we will operate as a business. This is all part of our **business change** and is fundamental towards improving our **internal business culture** and becoming a **more externally** focused organisation, something which our stakeholders desire.

*A broad and inclusive range of stakeholders have been engaged.*

We recognise that our stakeholder groups and interests will change over time, and we continuously strive to update and understand who they are and their needs. We want everyone to have the **opportunity to participate** in our engagement activities.

To ensure that we will engage with a **broad and inclusive range** of individual stakeholders and groups, we follow a continuous process to *identify, manage, validate and review* (see figure 6).

Figure 6 - Breadth of Stakeholder Groups



**1. Identify and Understand**

During our RIIO-GD1 busines planning process, we **validated** all stakeholders as part of our engagement and this review required us to **update our stakeholder database** to include additional groups. This exercise was repeated again (November 2012) when we sense-checked with stakeholders whether we had **identified the right stakeholders**. No new groups were identified from this recent consultation. We will continue to keep this under review.

**2. Store and Manage**

Our secure **stakeholder database** [13] includes a segmentation of our stakeholders and consists of 766 individuals and groups (shown in figure 7). This database helps us to manage our stakeholders effectively including names, contact details, and a log of invites and events attended.

Figure 7 - Our Segmented Stakeholder Database Groups

|                           |                      |                      |   |  |                       |
|---------------------------|----------------------|----------------------|---|--|-----------------------|
| Customers and Communities | Consumer Groups      | Trade Unions         | National, Regional, Local Government    | Business-to-business customers                           | Supply Chain Partners |
| Fuel Poverty Groups       | Trade Bodies         | Skills and Education | Environment Sustainability / Renewables | Regulators and Industry Bodies (incl. Health and safety) | Service Providers     |
| Energy Groups             | NGOs and Think Tanks | General Public       | Shareholders                            | Employees  | Other Networks        |

**3. Consult and Validate**

Throughout RIIO-GD1, we had five rounds of stakeholder engagement that attracted some 265 attendees and responses across all groups. In addition we undertook five direct consumer focus groups, and in depth interviews with Small Medium Enterprises (SMEs) and have supplemented this with over 9,000 telephone and face-to-face surveys at our key customer touch points.

Our recent consultation received 40 responses across 10 of our stakeholder groups: customers and communities, fuel poverty, consumer, trade bodies, general public, national, regional and local government, shareholders, business-to-business customers, employees and supply chain partners. Examples include: COGDEM (Council for Gas Detection and

Environmental Monitoring), Transport for London, NEA, EUA, e.on, British Sugar, South Worcestershire Council and others. Four consumer focus groups were also held.

**4. Review and Lessons Learnt**

As part of our **taking stock** and **lessons learnt** we also realised that we cannot do this alone and need to develop effective networks and draw upon the expertise of others. We have, therefore, established a **Stakeholder Advisory Panel** to ensure our business and practices properly take into account the interests, aspirations and concerns of all our stakeholders and customers.

This Panel is made up of a number of **external senior advisers** and internal senior managers that represent a good and balanced cross section of our stakeholders, as well as a stakeholder expert who can enhance our capability in this area. Our draft **terms of reference** have been **approved by our Executive team** [14], and our initial on-boarding session for Panel members will take place in June 2013.

Panel members will be reviewed and rotated on a two year basis, so stakeholder groups not currently represented can be included and bring in new ideas and energy.

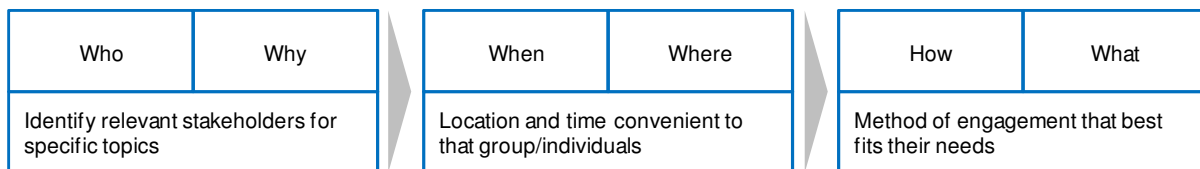
*The company has used a variety of appropriate mechanisms to inform and engage with their stakeholders - these have been tailored to meet the needs of various stakeholder groups, and are fit for purpose in allowing a detailed analysis of a breadth of stakeholder perspectives.*

We recognise and understand that it is important that we use a variety of tools and techniques suitable for the needs of our different stakeholder groups. This will help to both (1) **engage** and (2) **inform**. Once we have identified the need to work with stakeholders we gain their views and ensure that we apply the best method to optimise the outputs from our engagement process *and* then utilise the best method to communicate and share the results and conclusions.

**1. Engage**

Our engagement framework was developed following the views we received from our preliminary consultation, and again we sense checked during our recent consultation in November 2012, to ensure we took account of any changes.

Figure 8 - Our Approach to choosing appropriate tools and techniques



Throughout our RIIO-GD1 business plan engagement process we undertook 15 workshops, forums and industry meeting, 5 focus groups, 2 webinars, numerous one-to-ones, 2 written consultations, 5 in-depth telephone interviews, 9,000 telephone and face-to-face surveys, an on-line customer survey and also trialled popular social media platforms such as Facebook and Twitter to assess how these social media tools could play a part in our engagement. Other methods included AGM events and employee workshops.

Through our recent consultation, our stakeholders confirmed that they still had a range of preferences and that this was dependant upon the nature of the engagement. We will continue to offer a **variety of mechanisms** to meet our stakeholders' needs and again we will re-assess this on an annual basis to take account of any changes. Figure 9 illustrates our stakeholder engagement framework.

Figure 9 - Our Stakeholder Engagement Framework



We have also supplemented our engagement with fact sheets and pre-reading material, which again we have consulted on to ensure it is fit for purpose, and to find ways of making improvements.

We had 40 responses to our three month consultation in November 2012, from a very broad range of stakeholders, including customer groups, Business to Business, Local Authorities, shareholders, supply chain partners and others. We also supplemented our consultation with a number of consumer focus groups.

**2. Inform**

In order to inform and update our stakeholders we ensure that we publish our workshop and engagement outputs on our *Talking Networks* website, including research, feedback and comments and how we are progressing in easy-to-digest forms such as briefings, publications and information booklets.

By way of example, in our recent consultation, 97% of our stakeholders felt that our engagement was a **good use of their time**, they had had a **chance to have their say** and felt that **they had been listened to** (also see figure 10 on page 10). During 2012, our *Talking Networks* website received over 8,500 visits with stakeholders believing it was a good way to **communicate and disseminate** information in an easy to understand way. All stakeholders rated our **website between good to excellent** in terms of **ease of use, informative, timely and relevant**.

*The company can demonstrate it is acting on input/feedback from stakeholders*

**1. Gathering and Acting on Feedback**

As mentioned above, one of our most significant deliverables in 2012 was the development and publication of our detailed 8-year RII0-GD1 business plan. This £10bn plan was developed in conjunction with our stakeholders and clearly showed where we had made changes as a result of our stakeholder feedback, and where we had not taken our stakeholders views on board, explained why not [5 and 15].

Some of the **changes we made** as a result of our stakeholders' feedback include:



Our role in Carbon Monoxide (CO) awareness, which now includes the provision of a number of alarms to 'at risk' individuals (we will be working with stakeholders as to how we categorise 'at risk' individuals)

A revision to our proposed programme on training and apprenticeships, seeing an increase in the number of apprentices and the inclusion of graduate recruitment

A revision to our accelerated gas holder demolition strategy on environmental grounds, to a programme based around safety and capacity requirements, following a winter review

A revision to security of our sites, to enhanced security where cost benefit can be fully articulated

We also received feedback, where following analysis, **we did not take forward our stakeholders' views**, for example:

Shippers and suppliers advised us that the accuracy of offtake meters were of primary importance. We provided costed options to stakeholders on the replacement of enhanced offtake meters and some stakeholders went on to propose more advanced ultrasonic meters. We were unable to justify on cost benefit grounds, and therefore we went back to our stakeholders to explain why we were not taking this proposal forwards.

Throughout our engagement we have been mindful to take stock of our stakeholders' views, sense check, make sure we have heard them correctly, and then fed back our thinking and proposals throughout the journey. We believe this has given us a **richness of discussion** and iteration that has been beneficial to ourselves and from continually monitoring the satisfaction of our stakeholders throughout this journey; we believe that this has been reciprocated.

To support our business plan (for both November 2011 and April 2012) we developed a **concise summary for our stakeholders** [16 and 17]. These headlined our commitments to stakeholders, our progress and information gathered and sense-checked our priorities and conclusions for review.

As mentioned previously our programme of engagement also highlighted a number of areas where we could improve our business and how we operate on a day-to-day basis. For example:

- How we can better share our forward work plans and **work more collaboratively** with our local stakeholders; and
- How we can **better communicate** with stakeholders and customers, for example improving our IT systems and notification of roadworks.

All of these views were captured and along side our recent consultation we published our first stakeholder report [18]. This provided a summary of our stakeholders' views, together with the **actions we were taking based on this feedback**.

In parallel our three month consultation sought to understand:

How we are doing so far and how we can improve

Whether we are consulting with the right groups/individuals, to ensure we are keeping abreast of any new stakeholder groups

How our stakeholders want to engage with us - to take account of any changes

Our stakeholders priorities for the next 12 months

We had some detailed and quality responses from over 40 stakeholders as well as views

from four dedicated customer focus groups run independently by Accent. Our stakeholders have told us that they want to continue to engage with us:

Figure 10 - A Summary of Our Feedback



Following the publication of the results of this consultation, we will **continue to engage** with our stakeholders throughout the year, report on progress, and keep them informed and involved with the actions and decisions we are making. Key to this will be to **improve through learning and sharing our experiences**.

*“What makes this different, is our drive and focus to work collaboratively with all our stakeholders, so that engagement becomes part of our DNA, and underpins everything we do. I am passionate and committed to making this happen.”*

*Jeremy Bending, Director, Gas Distribution*

#### References made in the above (and included as hard copy supporting evidence)

- [1] Preliminary Stakeholder Consultation Document (July 2010)
- [2] Preliminary Stakeholder Consultation Conclusions Report (October 2010)
- [3] Stakeholder Engagement Policy Statement (November 2010)
- [4] Talking Networks [screen shots] [www.talkingnetworksngd.com](http://www.talkingnetworksngd.com)
- [5] RIIO-GD1 Business Plan Chapter 4 - Our Stakeholder Requirements (November 2011)
- [6] Ofgem Initial Assessment RIIO Business Plans (February 2012)  
[http://www.ofgem.gov.uk/Networks/GasDistr/RIIO-GD1/ConRes/Documents1/120217\\_GDN\\_initial\\_assessment\\_annex.pdf](http://www.ofgem.gov.uk/Networks/GasDistr/RIIO-GD1/ConRes/Documents1/120217_GDN_initial_assessment_annex.pdf)
- [7] Have Your Say: Our Questions to You (November 2012)
- [8] Continue to Have Your Say: Our Questions to You (April 2013)
- [9] Committing to You for 2013 (April 2013)
- [10] Stakeholder Vision and Strategy 2013 (January 2013 for April 2013)
- [11] Stakeholder KPIs and Management Information (April 2013)
- [12] CSE Assessment [workplan approved and DEC minute]
- [13] Stakeholder Database [screen shot]
- [14] Stakeholder Advisory Panel - Draft terms of reference and membership (February 2013)
- [15] RIIO-GD1 Business Plan - Update Chapter B1 - Our continued Stakeholder Engagement (April 2012)
- [16] Our Business Plan - A summary for our stakeholders (November 2011)
- [17] Our Business Plan update - A summary for our stakeholders (April 2012)
- [18] Acting on Your Ideas (November 2012)