



Bringing energy to your door

# Stakeholder incentive scheme 2012/13

PART 1:

Demonstration of  
engagement strategy





# Contents

## Part 1:

### Demonstration of engagement strategy

<b>1.1 Introduction</b>	<b>P3</b>
<b>1.2 Stakeholder engagement at Electricity North West</b>	<b>P4</b>
1.2.1 Identifying stakeholders	P4
1.2.2 Materiality determination process	P5
1.2.3 Responding to stakeholder feedback	P6
1.2.4 Engagement needs	P6
<b>1.3 Relevant accreditation schemes and assurance</b>	<b>P7</b>
<b>1.4 Evidence of culture change and senior management buy-in</b>	<b>P7</b>
<b>1.5 Results and feedback from stakeholder engagement</b>	<b>P9</b>

## Appendices

### (supplementary information to support Part 1 submission)

<b>1. Deloitte LLP assurance statement</b>	
<b>2. AccountAbility engagement letter</b>	
<b>3. Stakeholder engagement manual including:</b>	
• Stakeholder identification template	
• Materiality matrix	
• Internal Stakeholder Panel Terms of Reference	
• External Stakeholder Panel Terms of Reference	
<b>4. 2012 CSR report including:</b>	
• GRI report	
<b>5. CR Index results</b>	
<b>6. Customer communications for project managers and contractors</b>	
<b>7. Engaged consumer panel survey results (2012 and 2013)</b>	
<b>8. Regional workshops report</b>	
<b>9. What our stakeholders say brochure</b>	
<b>10. How stakeholders are influencing our business plans document</b>	
<b>11. 2013 strategic direction statement</b>	
<b>12. Internal and External Stakeholder Panel minutes</b>	



## 1.1 Introduction

I'm delighted to introduce our stakeholder engagement strategy and activity for the past year.

We deliver a service for 5.1m customers in the region, and the only way we can continue to do that efficiently and effectively is by speaking to the people and organisations that affect what we do, and are affected by what we do.

Stakeholder engagement is a fundamental part of our decision-making process at Electricity North West. The past year shows a step-change in our approach and we've focussed on embedding clear governance and reporting of engagement to help reinforce what we have been doing for years.

Engagement helps us make the most of shared knowledge, manage risk, and address issues in a timely way to the benefit of our organisation and our stakeholders.

Our vision is to be the leading energy delivery business – and that includes leading on stakeholder engagement.

This year's overview of our stakeholder engagement activity shows exactly how we have worked to embed engagement principles throughout our organisation in line with internationally-recognised best practice.

We've engaged Deloitte LLP to provide independent assurance on our stakeholder engagement reporting and commitment to the AA1000 AccountAbility Principles Standard (AA1000APS) in 2012/13 (appendix 1).

Over the past year we have formalised a thoroughly structured approach to our engagement with stakeholders in line with the AA1000APS principles of inclusivity, materiality and responsiveness.

We've worked directly with AccountAbility (see appendix 2) to move our processes forward and further formalise our strategy. As a result, our engagement approach has improved significantly in credibility, scope and outcomes.

Our revitalised strategy and framework – documented in our new 'Stakeholder Engagement Manual' for all of our people (appendix 3) – explicitly expresses senior buy-in, details our robust processes and governance, and explains the roles of our newly formed internal and external stakeholder panels.



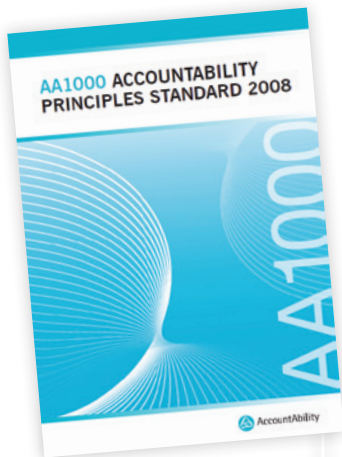
**We've put a lot of effort into raising the profile of stakeholder engagement within our business to encourage recognition, participation and documentation. New governance procedures also help ensure the feedback from our engagement is put to full use, and is able to genuinely influence our business decisions.**

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

We have long-prided ourselves on our flexibility and dynamism as a relatively small organisation, allowing us to respond quickly and effectively to stakeholder issues at a local level.

Our revitalised approach ensures enough flex to allow us to respond to stakeholders at different levels in a relevant and timely way, and enough structure and governance to make it meaningful and trustworthy.

Steve Johnson, CEO.



## 1.2 Stakeholder engagement at Electricity North West

Stakeholders offer a huge source of knowledge and expertise. We rely on stakeholders, as experts in their fields, to inform our day-to-day and longer-term plans to help us meet their needs and expectations.

Our engagement is about continuous improvement and innovation. Allowing stakeholders to influence what we do and how we do it through structured and relevant engagement is essential to the successful operation of our business.

We worked closely with AccountAbility, a global think-tank and developers of internationally-recognised stakeholder engagement standard AA1000APS, to review our stakeholder engagement approach in 2012/13.

As a result of this work, we developed and launched a company-wide Stakeholder Engagement Manual, setting out a clear strategy with appropriate governance and structure, consistent operating procedures, and cohesive reporting and evaluation mechanisms.

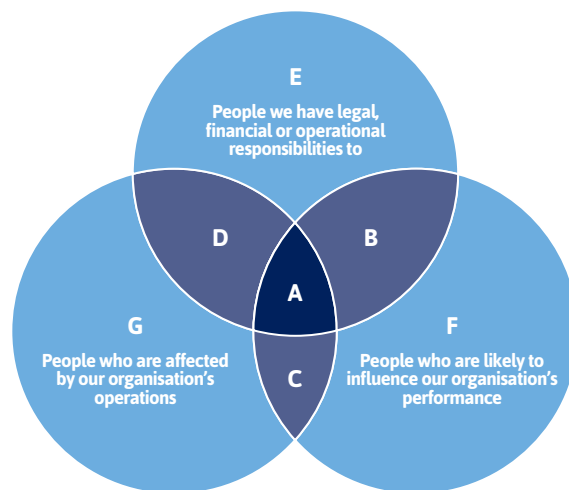
The manual is written as both a strategic guide and practical handbook for employees describing how engagement is done at Electricity North West. It was developed based on:

- **our own best practice, including feedback from last year's stakeholder submission for Ofgem's Broad Measure of Customer Satisfaction;**
- **benchmarking against best practice by other utilities and businesses; and**
- **AA1000APS and direct consultancy from AccountAbility.**

### 1.2.1 Identifying stakeholders

The first stage of our robust stakeholder engagement strategy is to identify our stakeholders. We have developed our process for stakeholder identification into an objective framework, allowing us to review our existing list of stakeholders and add or remove stakeholders based on set criteria, ensuring consistency and fairness in selection and prioritisation. A set process for this element of our plan also removes the risk of the loudest stakeholder drowning out others.

Our list of stakeholders is formally reviewed internally every three months by our Internal Stakeholder Panel and every six months by the External Stakeholder Panel. For our latest list of stakeholders see the Stakeholder Engagement Manual (appendix 3).



## 1.2.2 Materiality determination process – what should we engage on?

Our second stage is to identify issues material to those stakeholders, and our own organisation. We have done this through a materiality determination process, resulting in a materiality matrix (below). This matrix forms the basis of the issues on which we engage, and allows us to apply a uniform approach to determining proportionality.

Inclusion of priorities in the matrix is influenced by three factors:

1. **Feedback from stakeholders on what is important to them.**
2. **Electricity North West's own five values: customer, people, safety, performance and innovation.**
3. **Ofgem's key output areas for the next 10 years: reliability and availability, customer service, safety, environment, conditions for connections, and social obligations.**

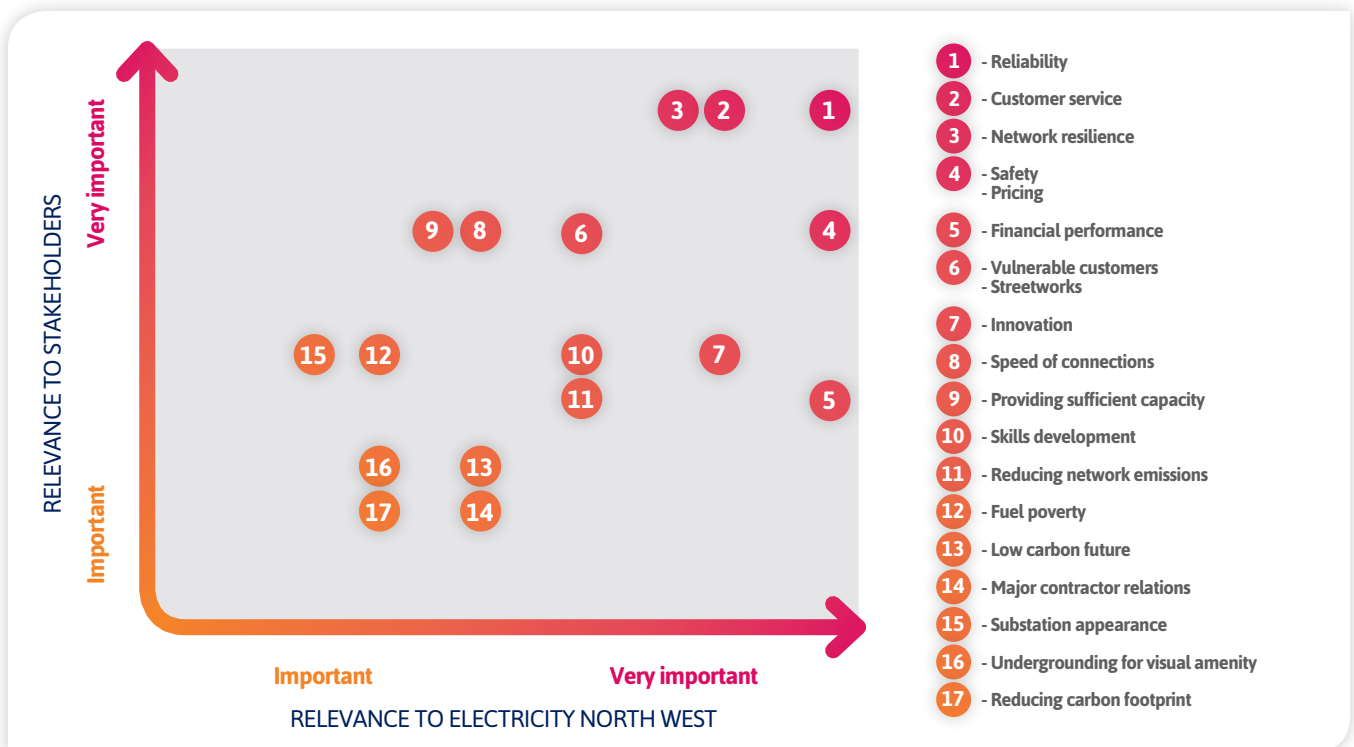
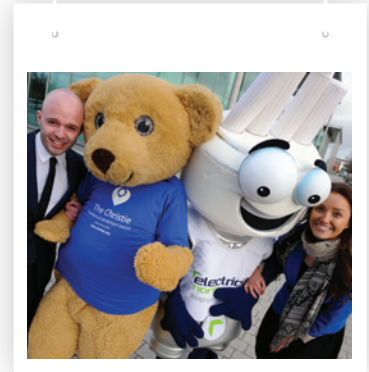
Using our corporate 'risk matrix' we have scored each priority against the risk of not including it, in terms of financial, legal, regulatory, health, safety, environment, people, reputation and security of supply impact.

We then multiplied this against a 'likelihood' score indicating the likelihood of the issue to have a major effect on our business in the next 10 years.

By categorising stakeholders in relation to how they are affected by, or affect our operations – using the stakeholder identification Venn diagram – we have been able to attribute appropriate and proportional weightings to their views.

Using these weighted stakeholder opinions, and also incorporating a calculation to incorporate the number of stakeholders affected, we have plotted relevance to stakeholders. The process and resulting table was then reviewed by both the Internal Stakeholder Panel and External Stakeholder Panel.

As with our stakeholder identification process, the materiality matrix will be reviewed by each panel at every meeting.





## 1.2.3 Responding to stakeholder feedback

Our third stage is to engage with those stakeholders on those issues relevant to them. One way we ensure that we do this is by simply asking our stakeholders which issues they would like to engage with us on, and how they would like to do it. This process of checking back with stakeholders is evident throughout our process, including External Stakeholder Panel feedback on our stakeholder identification and materiality determination.

The final stage is to report all engagement outputs, feed them into the business, record outcomes, and then report back to stakeholders on tangible changes to our business or plans as a result of their engagement.

Through our stakeholder engagement process, we know who our stakeholders are, what matters to them, and how they want to engage with us. We then tailor our approach based on this information – keeping them updated on relevant business activities, decision-making and other developments, but not wasting their time on things that are immaterial to them, or irrelevant to us.

In addition, we recognise that it is our job to balance stakeholders' sometimes-conflicting views to the satisfaction, or at least understanding, of all parties.

## 1.2.4 Engagement needs

The table below shows our high-level stakeholder groups, the need for engagement and examples of engagement in 2012/13.

STAKEHOLDER GROUP	ENGAGEMENT NEED	ENGAGEMENT IN 2012/13
<b>Customers</b>	Our customers include anyone who pays for our services, including domestic, business, connections and distributed generation customers. We need to listen to our customers' views to improve our operations and the services we provide for them.	<ul style="list-style-type: none"> <li>• Ongoing customer service phone interviews</li> <li>• Willingness-to-pay surveys</li> <li>• Online feedback forms and web survey</li> </ul>
<b>Public sector</b>	From local government and schools, to emergency services, MPs and national government – we have a number of key relationships and a vast range of public sector stakeholders. Engagement locally is essential due to the unique nature of our business which directly affects local communities. Engagement nationally as a regulated business is also essential, ensuring that we communicate appropriately at all levels and recognise our wider role in the UK.	<ul style="list-style-type: none"> <li>• Regional workshops</li> <li>• Emergency planning meetings</li> <li>• MP events, survey and 1-1 engagement</li> <li>• Ongoing engagement through CEO's chairmanship of Energy Networks Association (ENA)</li> <li>• School liaison through BrightSparks educational programme</li> </ul>
<b>Industry</b>	Our industry engagement includes engagement with electricity suppliers, employees, contractors and other utilities. By working together we can gain the benefits of a range of experience and viewpoints to help meet local and national stakeholder demands.	<ul style="list-style-type: none"> <li>• Supplier meetings through ENA and our own 1-1s</li> <li>• Contractor forums</li> <li>• National Joint Utilities Group</li> <li>• Industry working groups</li> </ul>
<b>Non-governmental organisations</b>	We interact with a number of NGOs, including environmental and other lobby groups. We have a local and national perspective to our responsibilities. For example, environmentally, we must manage our own direct impact with local stakeholders, and nationally we must continue to facilitate the UK's move to a low-carbon future. Stakeholders include Areas of Outstanding Natural Beauty, Friends of the Lake District, RSPB, National Energy Action, British Red Cross, Consumer Futures.	<ul style="list-style-type: none"> <li>• Undergrounding for visual amenity quarterly group</li> <li>• External stakeholder panel</li> <li>• Regional workshops</li> <li>• Participation in stakeholders' meetings/workshops</li> <li>• 1-1 meetings</li> </ul>
<b>Financial</b>	Our financial stakeholders, including our investors, banks and credit rating agencies, clearly have a big impact on our organisation. Appropriate engagement is key to the successful financing of our business.	<ul style="list-style-type: none"> <li>• For more information see: <a href="http://www.enwl.co.uk/about-us/investor-relations">www.enwl.co.uk/about-us/investor-relations</a></li> <li>• Regular meetings with banks and credit rating agencies to keep them informed</li> </ul>

### 1.3 Relevant accreditation schemes and assurance

Our 2012/13 stakeholder engagement process has been independently assured by Deloitte LLP in accordance with the International Standard on Assurance Engagement 3000 (ISAE 3000 – a standard that has been designed by the International Auditing And Standards Board (IAASB) to assure non-financial data). (See Deloitte’s assurance statement in appendix 1.)

We have systematically reviewed and revitalised our approach to stakeholder engagement throughout the year in line with AA1000APS. We are committed to the principles of inclusivity, materiality and responsiveness.

In 2012/13 we appointed a full-time corporate social responsibility manager (CSR manager), and entered the Business in the Community (BITC) Corporate Responsibility (CR) Index for the first time. The CR Index takes the form of an online survey where companies follow a self-assessment process intended to help them identify both the strengths in their management and performance, and the gaps where future progress can be made. BITC then independently validate submissions to ensure reliability and consistency.

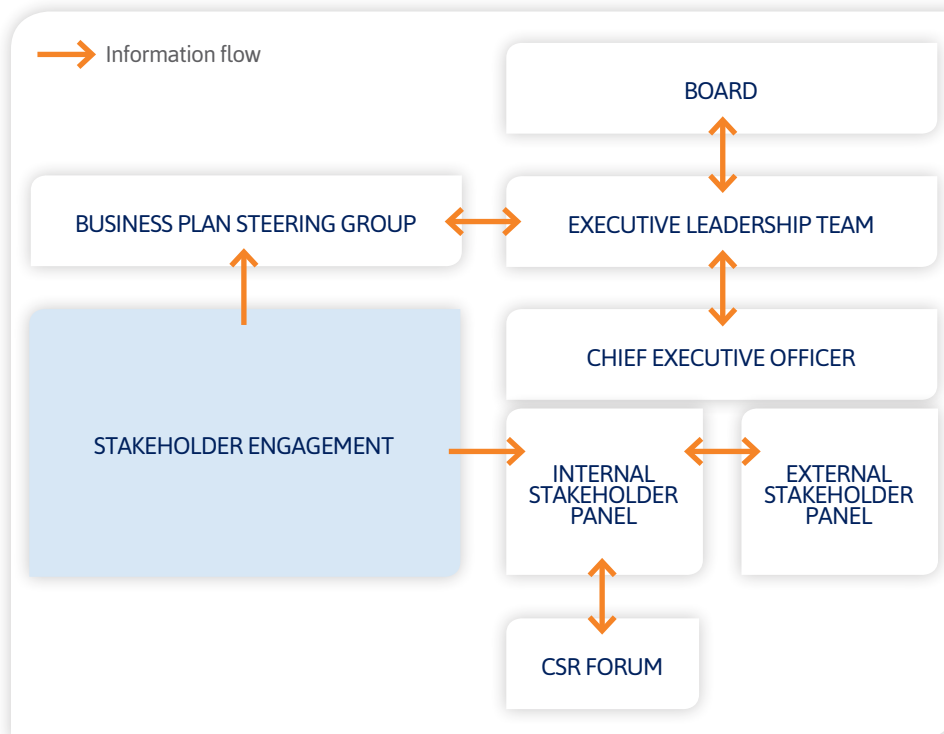
As in previous years, we also continued to report our CSR and stakeholder engagement activity against Global Reporting Initiative (GRI) guidelines. Our 2012/13 CSR report is due for publication in August 2013.

### 1.4 Evidence of culture change and senior management buy-in

A strategy paper on our renewed approach to stakeholder engagement, including our commitment to follow the AA1000APS, was approved by our Executive Leadership Team in 2012 (included in Stakeholder Engagement Manual, appendix 3).

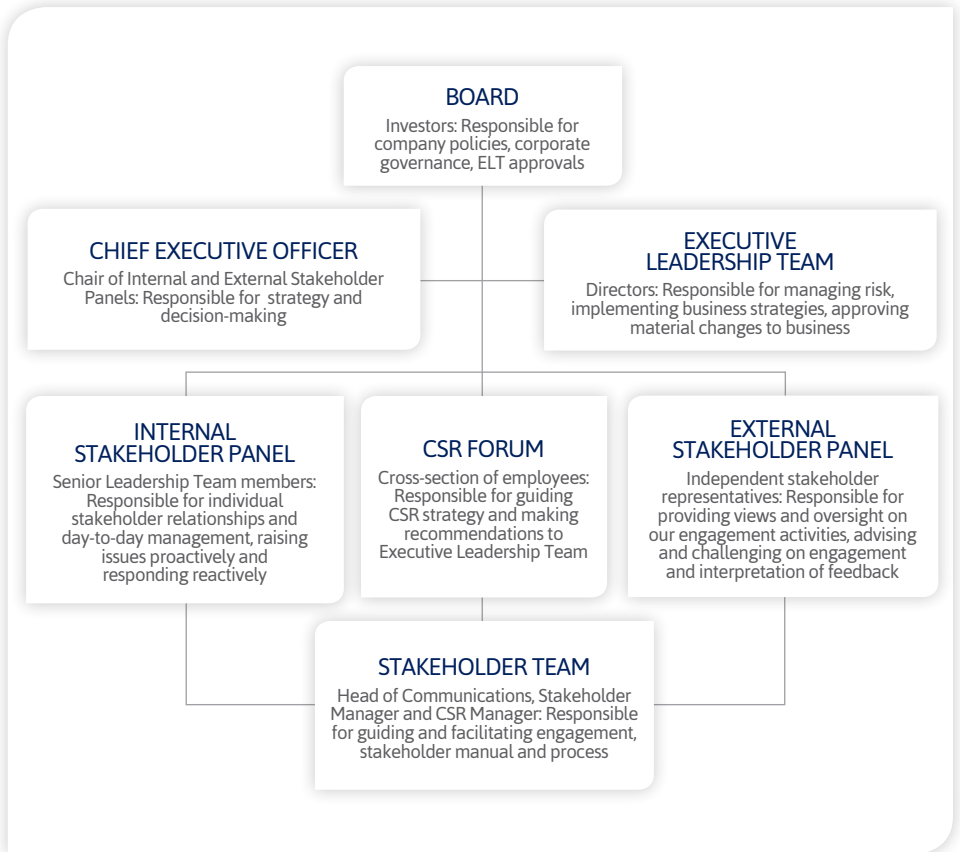
The overall governance structure of our stakeholder engagement activities is outlined below.

**Governance structure and information flow:**





**Governance responsibilities:**



Our new **Internal Stakeholder Panel** meets formally at least every three months to discuss stakeholder engagement issues. It is made up of 10 members of the senior leadership team, representing every business area, and is chaired by the chief executive officer, supported by the customer director and stakeholder engagement team.

The panel has its own terms of reference which are included in our Stakeholder Engagement Manual (appendix 3), and is responsible for developing and implementing the stakeholder strategy, including its integration into business processes and decisions. The decision-making process is aligned with our business model, and is described in detail in our stakeholder manual.

Our **External Stakeholder Panel** is attended by our chief executive, and although it purposefully has a level of autonomy, members of Electricity North West’s senior management team are available to be called to attend the panel on request to present to or answer questions from panel members on topics of their choosing. Its terms of reference are also included in our Stakeholder Engagement Manual (appendix 3).

The internal and external stakeholder panels work closely together to complement each other and provide the right balance of responsibility from the internal panel and challenge from the external panel.





## 1.5 Results and feedback from stakeholder engagement

Our formalised framework for stakeholder identification has given our processes improved transparency and credibility. We have engaged with stakeholders at levels appropriate to their relationship with us and interest in issues concerning our organisation. Through a prioritisation technique we have ensured that our engagement is proportionate to each stakeholder.

In addition to our 'business as usual' stakeholder engagement, our 2012/13 stakeholder engagement activity focused on gaining feedback to help us develop our business plan for 2015–2023.

Based firmly on AA1000APS, our process continued to follow three cycles of engagement with stakeholders as we set out in 2011/12, wrapped up in the 'Switched On: North West' campaign.

### Cycle 1

PROCESS	KEY AIMS	KEY OUTPUTS
<ul style="list-style-type: none"> <li>✓ Stakeholder identification</li> <li>✓ key output and materiality determination</li> <li>✓ first engaged consumer panel</li> <li>✓ Greater Manchester local government and business event</li> <li>✓ launch of first Strategic Direction Statement (2011)</li> </ul>	<ul style="list-style-type: none"> <li>✓ qualitative key stakeholder audit</li> <li>✓ engaged consumer questionnaire</li> <li>✓ MP events and newsletters</li> <li>✓ Employee Opinion Survey</li> <li>✓ Executive Leadership Team internal roadshows</li> <li>✓ school visits; social media launch</li> </ul>	<ul style="list-style-type: none"> <li>✓ Switched On: North West branding and minisite launched (<a href="http://www.enwl.co.uk/switchedon">www.enwl.co.uk/switchedon</a>)</li> <li>✓ online willingness-to-pay survey</li> <li>✓ educational videos produced</li> <li>✓ first public roadshows.</li> </ul>
<b>Stakeholder engagement</b>	Identify, approach and inform stakeholders about the business, process for developing our plan and key output areas	Stakeholders clearly have differing views, and differing motivations and levels of interest. Challenge identified to ensure proportionality and materiality in all engagement. Further challenge identified in lack of knowledge becoming barrier to engagement.
<b>Business decision-making</b>	Are we addressing the areas that stakeholders want us to address? Are we engaging with stakeholders on issues that are material to them?	Focus on customer service and quality stakeholder engagement critical to all stakeholders. Plans must follow cyclical approach to keep stakeholders' interest. 'Engaged customer panel' concept developed to address accessibility issues.

### Cycle 2

PROCESS	KEY AIMS	KEY OUTPUTS
<ul style="list-style-type: none"> <li>✓ Output-focused regional workshops</li> <li>✓ second strategic direction statement produced</li> <li>✓ North West vs National willingness-to-pay survey</li> <li>✓ further public roadshows in key rail stations</li> <li>✓ sponsorship of key publications</li> <li>✓ increased promotional and public relations activity</li> </ul>	<ul style="list-style-type: none"> <li>✓ new process for highlighting types of work carried out with new 'communications for project managers' document rolled out</li> <li>✓ 'What our stakeholders say' brochure produced</li> <li>✓ 'How stakeholders are influencing our business plans' brochure produced</li> </ul>	<ul style="list-style-type: none"> <li>✓ Parish Council Survey</li> <li>✓ further videos produced</li> <li>✓ benchmarking engagement against other similar companies to identify best practice</li> <li>✓ 1-1 meetings with key new stakeholders including National Energy Action.</li> </ul>
<b>Stakeholder engagement</b>	Elicit feedback from relevant stakeholders and customers on specific output areas to inform the plan.	Three-way challenge identified, to produce plan focused on affordability, reliability and sustainability.
<b>Business decision-making</b>	Develop business plan informed, proportionally, by stakeholder opinion, balancing conflicting views.	Customer-service focus of plan growing alongside asset management responsibilities. Key function of reliability reinforced – proper asset management fundamental in providing good operational customer service.

### Cycle 3

PROCESS	KEY AIMS	KEY OUTPUTS
<ul style="list-style-type: none"> <li>✓ Internal panel established</li> <li>✓ external panel established</li> <li>✓ formal stakeholder engagement strategy developed and documented</li> </ul>	<ul style="list-style-type: none"> <li>✓ third strategic direction statement produced</li> <li>✓ further engaged consumer panel survey focused on customer service and financeability</li> </ul>	<ul style="list-style-type: none"> <li>✓ industry-wide suppliers' engagement</li> <li>✓ Independent connection providers workshop.</li> </ul>
<b>Stakeholder engagement</b>	Present interpretation of stakeholder engagement so far back to stakeholders for further feedback	Explaining conflicts helps stakeholders understand potentially difficult decisions we must make. Transparency key to credibility with stakeholders. ICP workshop to improve robustness of engagement with group.
<b>Business decision-making</b>	Are stakeholders happy with our interpretation, and how we have addressed their views in our plans? Is further engagement needed on any specific areas?	Commitment to continuing engagement with stakeholders during business plan period (2015-2023)



Further information on how stakeholders have specifically influenced our business plans are outlined in the following three documents:

- **What our stakeholders say (appendix 9)**
- **How stakeholders are influencing our business plans (appendix 10)**
- **2013 strategic direction statement (appendix 11)**

Part two of this document will focus on the engagement over the past year that has already made material changes to the way we do business, rather than the engagement that is focused on the development of our 2015-2023 (RIIO-ED1) business plan.

The engagement in relation to the business plan has affected how we propose to operate our business in future. We have already implemented some feedback (such as our improved stakeholder engagement framework) where possible, however it will not be possible to implement all feedback until our plans have been approved by our regulator, Ofgem.



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Bringing energy to your door

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