



Bringing energy to your door

Ofgem Broad Measure of Customer Satisfaction Stakeholder Engagement 2013/14

PART 1: Demonstration of
engagement strategy to satisfy
minimum requirements



This document sets out how we do stakeholder engagement at Electricity North West. Our process has received independent evaluation, covering how we engage, the quality of our engagement, senior management buy-in, the impact on our business, cost effectiveness and outcomes for stakeholders.



1.1 Introduction

This time last year, I introduced this document talking about how we had worked hard to embed new engagement principles throughout our organisation in line with international best practice.

I'm delighted that we did so. In 2012-13 we overhauled our approach to stakeholder engagement – moving from well-principled but unstructured, to robust, consistent and based on strict tried and tested standards used by the world's leading organisations.

The benefits for our business were almost instant, making a real difference to how we operate through effective, tailored engagement with relevant stakeholders on key issues that matter to them and us.

In 2012 we recognised the need to formalise our stakeholder engagement activity and to adopt a coordinated approach. We have articulated our ambitions in a five-year plan that outlined the targets and milestones for our ongoing journey in this area. 2013-14 was the second year of that plan. We have built on our strong foundation by educating and empowering our employees to refresh their engagement in accordance with our improved strategy.

We have again engaged Deloitte LLP to provide independent assurance on our description of our stakeholder engagement programme which is based on our commitment to the AA1000 AccountAbility Principles Standard (AA1000APS).

Having first formally followed the AA1000APS principles of inclusivity, materiality and responsiveness in 2012/13, the past year has seen us move forward significantly as we develop our understanding of the principles in our practical engagement activity.

Our internal and external Stakeholder Panels have gone from strength to strength, making tangible differences to what we're doing and how we're doing it. This was exemplified by their contribution to the resubmission of our business plan in March.

Our internal panel in particular has led this change from within the business. By promoting and applying the principles to what many employees may describe as 'business as usual' we have been able to develop our engagement beyond business as usual to something exceptional, trackable and material.

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 want to do what's right, and stakeholders have always helped us do that.

Our approach, structure, governance and commitment of our employees to consult stakeholders to help us solve problems is something that sets us apart in the industry. We have carried out benchmarking against leading organisations across a range of industries and are confident that we are setting the bar in terms of material, value-for-money and results-driven stakeholder engagement.

Steve Johnson, CEO.



1.2 Our stakeholder engagement strategy

(Evidence 1: A comprehensive and up-to-date stakeholder engagement strategy)

We have a long-term stakeholder engagement plan that's aligned with our business plan, covering our four key areas of reliability, affordability, sustainability and customer service.

It's aimed at everyone in the organisation playing their part and engaging with stakeholders in their areas of expertise, for example, our network strategy team's engagement with the Environment Agency over flooding, or our operations team's engagement with the police to address metal theft. And we use our Internal Stakeholder Panel of senior managers to ensure that their teams are doing their bit.

Tactical elements such as workshops and panels play their part – where appropriate to the issue or stakeholder group – but our approach is focused on embedding principles into how everyone in the business deals with stakeholders. We want to enable and encourage our people to engage effectively and directly with stakeholders relevant to their roles as they are the experts and decision-makers who can change what we do.

Stakeholder engagement isn't something we employ an agency to do for us, or even a 'head of stakeholder engagement' with a team to do it on behalf of our business. Real engagement that leads to change must come from within the business by its employees and cannot be treated as a bolt-on. This is reflected in our plan to encourage employees, led by senior leaders on our Internal Stakeholder Panel, to engage with stakeholders directly.

2010/11 saw a year of consolidation following Electricity North West's insourcing of more than 1000 operational employees from United Utilities. From then, our stakeholder engagement, and other key areas have developed, and we're clear about where we're going too.

The table in appendix 1 shows where we are up to in our journey delivering our long-term stakeholder engagement, social media, vulnerable customer and wider customer service plans.

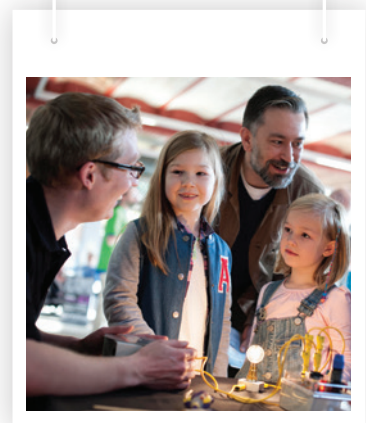
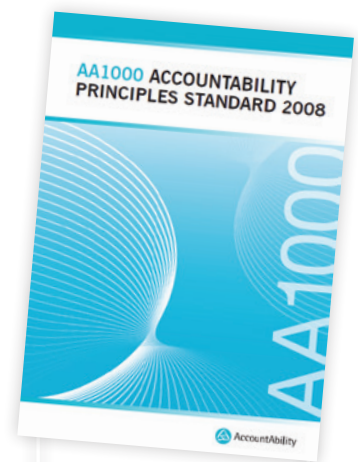
Our engagement is based on our commitment to the internationally-recognised and stakeholder engagement-specific AA1000 AccountAbility Principles Standard (AA1000APS). Its principles are:

- **Inclusivity** – who do you engage with?
- **Materiality** – what do you engage on?
- **Responsiveness** – how do you respond?

Our stakeholder manual, launched last year (see appendix 2), provides employees with guidance on how to engage with stakeholders based on AA1000APS. From formally identifying stakeholders, to engaging on material issues and responding appropriately, this formalised handbook helps ensure that our approach is consistent across the business.

Assurance is an essential part of our engagement strategy, (see appendix 3 for assurance statement) providing expert insight and making sure that we continue to reflect best practice. Not only do we receive the formal assurance paperwork, but we also receive a management letter, detailing areas for improvement which helps us focus our efforts in the coming year.

This work is coordinated by our communications team, but decisions are made by the Internal Stakeholder Panel, consisting of members of our Senior Leadership Team representing all areas of our business and chaired by our Chief Executive. Decisions and actions are therefore owned by the people who matter and who can effect positive change, which is our constant goal.



“At Electricity North West the right people within the business engage with the right stakeholders. That makes it worthwhile all round and ensures that stakeholders’ views are fully understood.”

Andrew Faulk, Policy Manager, Consumer Futures





1.3 AA1000APS principle 1: Inclusivity - who do we engage with?

(Evidence 2: A broad and inclusive range of stakeholders have been engaged)

We formalised our approach to stakeholder identification last year, giving us confidence that we were focusing our resources on the correct organisations, individuals and groups.

Using the Venn diagram below also allows us the additional benefit of prioritising stakeholders based on their relationship with us, again, helping us focus our resource most effectively.

This objective approach removes the risk of the loudest stakeholder getting all the attention, and allows those who may have limited resources the appropriate level of engagement, again removing risk. A good example of this is our steering group of National Parks and Areas of Outstanding Natural Beauty who despite having differing resources, each have an equal voice.

Stakeholders can change, new ones can emerge based on social, environmental or political developments, others may drop out due to change in remit or other issues.

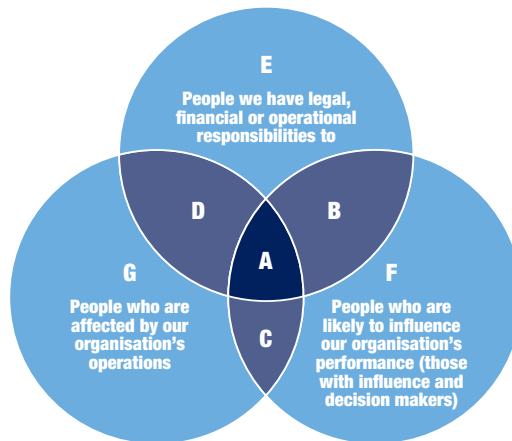
Our list of stakeholders is formally reviewed internally every three months by our Internal Stakeholder Panel and every six months by the External Stakeholder Panel. Our latest list of stakeholders is in our stakeholder manual in appendix 2.



“For the British Red Cross engaging with Electricity North West is really important because that proactive work we do can really stem a lot of the issues we may see when we’re in the field working with your customers.

The British Red Cross aims to meet the needs of vulnerable people in a crisis, and we’re proud to be working with organisations like Electricity North West in order to focus their efforts more effectively to help those in need.”

Stephen Hagerich, Emergency Development Officer, British Red Cross



Improvements in 2013/14:

Throughout the reporting year we have worked to identify and engage with stakeholders through the whole business. As our Internal Stakeholder Panel have become more accustomed to the formal process of stakeholder identification, they have been able to provide a more joined-up and meaningful approach to this important aspect of our stakeholder engagement work.

Here are some of the changes to our stakeholder list over the past year. Citizens Advice have taken over the role of Consumer Futures and the other additions were stakeholders who were not formally recorded in our plans. However previous non-inclusion does not mean that no engagement has taken place with them. This categorisation of stakeholders takes time to develop but ensures a full, transparent company-wide list:

IN	OUT
Citizens Advice	Consumer Futures
Social landlords	
Chambers of Commerce	
CBI	

1.4 AA1000APS principle 2: Materiality - what do we engage on?

(Evidence 3: Variety of mechanisms used to inform and engage stakeholders)

The best way to engage stakeholders, and to make the most of their expertise, is to engage on relevant issues in ways driven by those interested stakeholders.

Having a materiality determination process for deciding what to engage on is essential to allow focus and effective use of resources. There is little point in engaging with stakeholders on issues that are not relevant to the business or to stakeholders. Some issues will be more relevant to some stakeholders (and also to Electricity North West) so ensuring a tailored approach means better use of resource, better results and more engaged stakeholders.

We developed our materiality matrix last year based on issues that are important to the business and to stakeholders. As well as being able to prioritise stakeholders through our stakeholder engagement process, our materiality matrix allows us to prioritise issues too.

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 DNOs to 2023: reliability and availability, customer service, safety, environment, conditions for connections, and social obligations.

Scores are attributed to each issue using our corporate 'risk matrix' based on financial, legal, regulatory, health, safety, environment, people, reputation and security of supply impact.

We then multiply 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 is reviewed by each panel at every meeting.

Improvements in 2013/14:

We recognised that although our matrix was soundly based on our risk matrix, it meant that priorities on the matrix would always have a negative bias. We therefore developed a reciprocal 'opportunities matrix' to add a positive slant to the weighting on need for engagement.

By taking into account both the risk of non-engagement, and the opportunities of engagement, our matrix is more balanced and better reflects our business goals.

We also increased the scoring scope to allow for greater variation in positions on the matrix, this provides a more precise location for each issue in relation to others.

We have also changed the wording slightly from 'Relevance to Electricity North West' to 'Impact on Electricity North West'. All issues are relevant, however impact is the thing that differentiates priorities. 'Impact' however does not work for stakeholders as stakeholders may not be impacted directly (eg, fuel poverty charity National Energy Action is not directly impacted by fuel poverty as they act on behalf of those impacted), however issues will be 'relevant' to stakeholders in varying degrees.



"We feel Electricity North West's engagement is very effective. The regular panels are very useful and we're able to understand what complexities Electricity North West might be facing and we can share with them our thoughts and how they can get over some of the problems."

David Haughian, Nuclear Programme Coordinator, Cumbria County Council



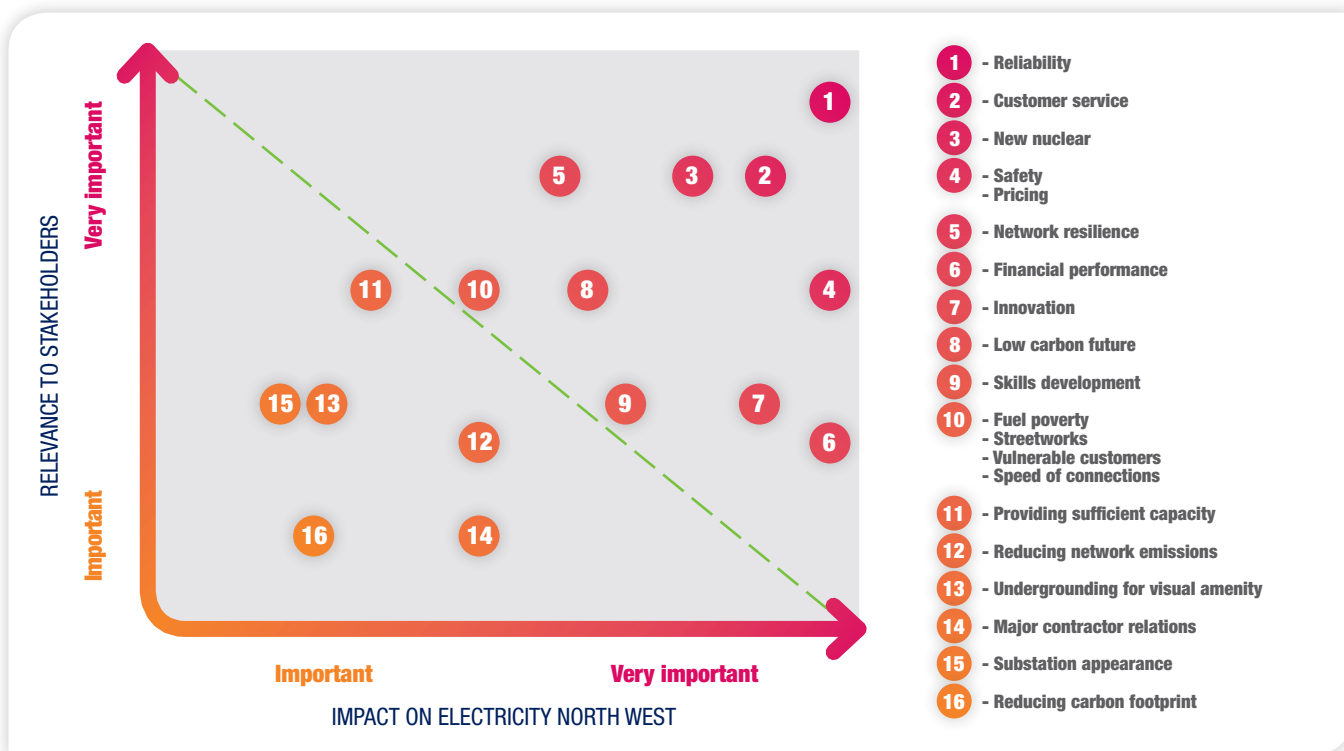


We have seen significant benefits in focusing our engagement efforts through the materiality matrix, however we identified a risk that by using the matrix exclusively we may miss emerging issues. We have therefore established an 'emerging issues' list.

To counter this we are always open to views from stakeholders and don't only ask them about issues on the matrix. There may be issues that they want to raise with us that are not already included, or issues that we know are coming but aren't yet significant enough for formal inclusion.

This formal recognition and awareness of emerging issues is a new development in our strategy this year. We now track these issues alongside our matrix to be reviewed by our Internal and External Stakeholder Panels for possible future inclusion.

2013/14 matrix:



(NB. Due to space restrictions, our Part 2 submission focuses only on those issues to the right of the green line above. Detailed information on initiatives for issues ranked 11-16 are available on request.)

Changes in this year's materiality matrix show:

- an increase in importance of reliability for stakeholders (#1) which was previously on a par with customer service and resilience
- the addition of New Nuclear (#3)
- higher stakeholder relevance and Electricity North West impact given for low carbon future (#8) and fuel poverty (#10)



The table below shows our high-level stakeholder groups, the need for engagement and examples of engagement in 2013/14.

STAKEHOLDER GROUP	ENGAGEMENT NEED	ENGAGEMENT IN 2013/14
Customers	Anyone who pays for our services, including domestic, business, connections and distributed generation customers. We listen to our customers' views to improve our operations and the services we provide for them.	<ul style="list-style-type: none"> • Ongoing customer service phone interviews • Reactive customer service • Distributed Generation Forum
Public sector	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"> • Local Resilience Forums (emergency planning) • Local resilience days • CEO's chairmanship of Energy Networks Association • BrightSparks educational programme
Industry	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"> • Stakeholder engagement information-sharing group • Supplier meetings through ENA and our own 1-1s • Contractor forums • National Joint Utilities Group • Industry working groups
Non-governmental organisations	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"> • Undergrounding for visual amenity quarterly group • External Stakeholder Panel • 1-1 meetings • Regular engagement with groups such as National Farmers Union
Financial	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"> • Board meetings • Structured engagement with banks, HMRC and credit rating agencies

1.5 AA1000APS principle 3: Responsiveness – how do we respond?

(Evidence 4: The DNO can demonstrate it is acting on input / feedback from stakeholders / results and feedback from stakeholder engagement surveys)

Knowing who we engage with and what we engage with them on helps us to prioritise engagement. The time that we save on spurious and immaterial engagement, we can refocus on what really matters – responding and improving our business.

We constantly check the engagement we're doing with stakeholders, and the results we're delivering, through our Internal and External Stakeholder Panels and third party assurance.

Reporting results of engagement, responses and impact in a trackable matrix allows us to trace the 'golden thread' from stakeholder input to business improvement for each of our engagement activities.

“Electricity North West has proven to be an excellent partner and is actively assisting MIDAS with attracting energy companies to invest in Greater Manchester. We look forward to developing our relationship further and together contributing to growing the wealth and prosperity of the region.”

Daniel Storer, Director of Business Development, MIDAS



Deloitte.

See Deloitte's observations and recommendations in their assurance statement in **appendix 3**

Some feedback may be impossible, impractical or unreasonable to implement, or there may be similar activities already taking place that address the issues raised by stakeholders. We must balance the views of all stakeholders against each other, and against our stakeholder-led business plan's aims of providing a network that is:

- Reliable
- Affordable
- Sustainable
- Delivered with exceptional customer service.

We can't and don't promise to deliver exactly what every stakeholder wants. In fact, it is part of our role to act as a mediator in some instances and explain the trade-offs between competing pressures and viewpoints. We can and do however explain to stakeholders why we make the decisions we make, and let them know how their input has influenced that decision, or why it cannot be incorporated.

Improvements in 2013/14:

Our new tracker, shared among all our Internal Stakeholder Panel, allows us to track specific engagement, results and reporting back to stakeholders. This is covered in more detail in our Part 2 submission.

1.6 Relevant accreditation schemes and assurance

(Evidence 5: Independent evaluation / audit and relevant accreditation schemes)

STANDARD	OVERVIEW	ASSURANCE	YEARS ACHIEVED
AccountAbility AA1000APS	Commitment to: <ul style="list-style-type: none"> • Inclusivity • Materiality • Responsiveness 	Our description of our stakeholder engagement process assured by Deloitte LLP	2013/14 2012/13
Business in the Community CR Index	Focus on: <ul style="list-style-type: none"> • Marketplace • Community • Workplace • Environment 	Self-certification reviewed by BITC	2013/14 – 73% 2012/13 – 54%
Global Reporting Initiative 3.1	Sustainability in: <ul style="list-style-type: none"> • Economic • Environmental • Social 	Self-certification	Every year since 2007/08



We continue to follow the internationally-recognised best practice standard, AA1000APS. We remain committed to the principles of inclusivity, materiality and responsiveness and have spent the year developing what this means to our business, ensuring we tailor our approach for the benefit of the organisation and our stakeholders.

For the second year running our 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 3.)

We increased our score in Business in the Community's CR Index scheme from 54% in 2012/13 to 73% in 2013/14. While average scores across the index fell by 6% due to the introduction of more rigorous criteria, ours increased significantly, thanks to the robust processes implemented and developed through our stakeholder engagement strategy. See our full CR Index report from Business in the Community in appendix 4.

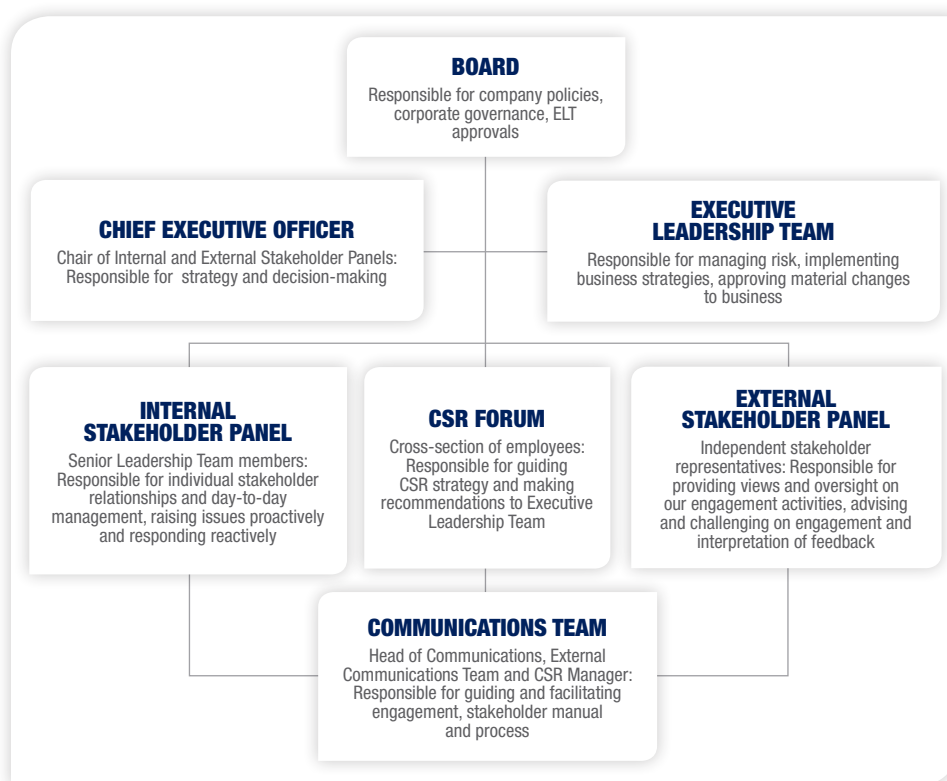
As in previous years, we also continued to report our CSR and stakeholder engagement activity against Global Reporting Initiative (GRI) guidelines. Our 2012/13 CSR report is due for publication in August 2013. See our Sustainability report for 2013 including our GRI report in appendix 5.



1.7 Culture change and senior management buy-in

(Evidence 6: Evidence of culture change, senior management buy-in)

The best evidence of our culture change and senior management buy-in is through our Internal and External Stakeholder Panels. There has always been buy-in from senior management, but our formalised processes now enable us to clearly demonstrate it through attendance at meetings, or formally recorded stakeholder engagement.



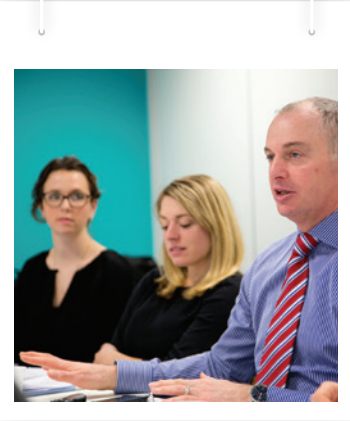
“Engaging with external stakeholders ensures a fresh-eyes approach and Electricity North West have been very receptive to discussing all aspects of their business and taking on board ideas and suggestions. It is reassuring to see large organisations working so collaboratively with a wide range of stakeholders, valuing our ideas and suggestions.”

Helen Heggie,
Director, STEMFirst



Our Internal Stakeholder Panel met four times in 2013/14. It is made up of members of the Senior Leadership Team, representing every business area, and is chaired by the Chief Executive Officer, supported by the Customer Director, Regulation Director and Communications Team. Other members include:

- Operations Director (South)
- Head of Customer Experience
- Head of Market Regulation
- Head of Commercial Policy
- Head of Communications
- Head of Tax
- Major Projects and Maintenance Manager
- Future Networks Manager
- Asset Planning Manager
- Asset Manager
- Estates and Wayleaves Manager



Our External Stakeholder Panel is chaired by our Chief Executive Officer and offers challenge and suggestions on all areas of our business. External Panel members during 2013/14 include:

- Policy Manager, Consumer Futures
- Director of Business Development, MIDAS
- Energy Manager, Bruntwood
- Project Manager, National Energy Action
- Director, STEMFirst
- Emergency Planning Officer, British Red Cross
- Engineering Manager, Iggesund
- Electrical Engineer, REG Windpower
- Nuclear Programme Coordinator, Cumbria County Council

Terms of reference for each Panel are included in our Stakeholder Engagement Manual (appendix 2).

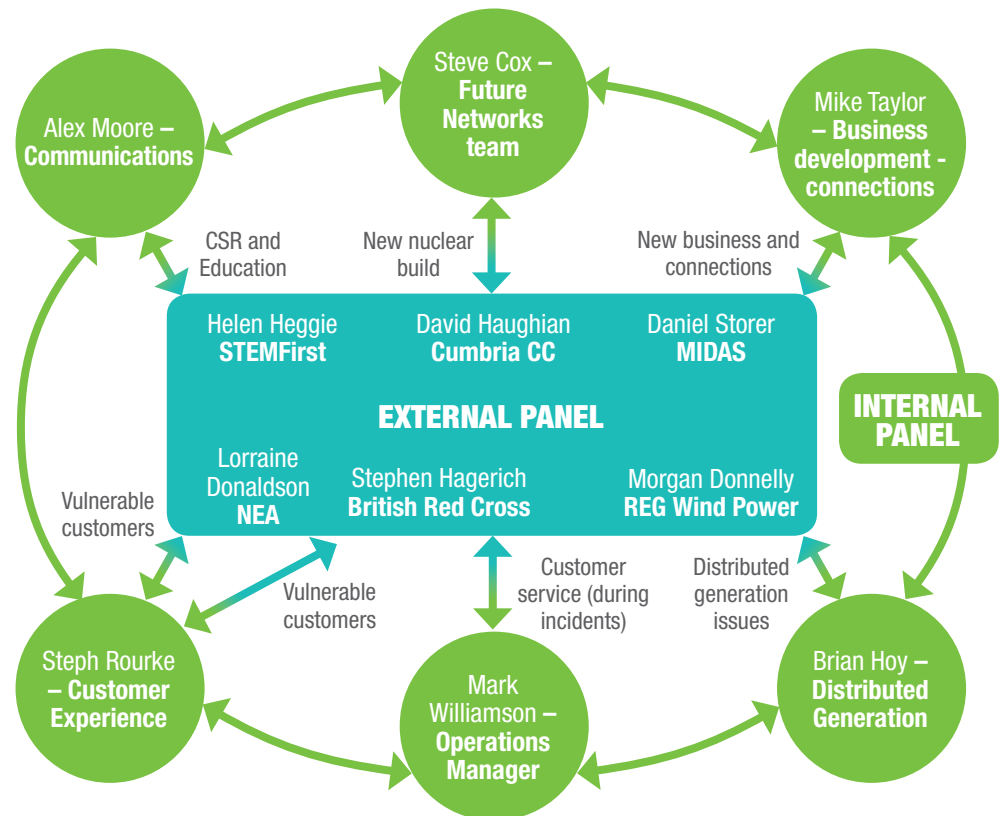
The Internal and External Stakeholder Panels work closely together to complement each other. This year this has progressed significantly with 1-1 meetings between External Panel members and the most relevant Internal Panel member leading to increased understanding and the opportunity for both panel members to explore issues in more specific detail than at the wider meetings.

Our External Stakeholder Panel is intentionally kept to a small number of key engaged stakeholders representing the variety of stakeholders and specific material issues we have. The Panel itself decided to keep the size small (around 10 members) as they feel that way they will have a better relationship with key employees in their areas and can contribute more in-depth information and discussion.



“Electricity North West have worked out the types of stakeholder they need to talk to and they’re inviting them to special meetings where both sides get to talk, whereas others are delivering information in more of a lecture scenario where they invite lots of stakeholders and talk and it’s more one way rather than a two way arrangement that Electricity North West seem to be pursuing.”

Morgan Donnelly, Electrical Engineer REG Windpower



In addition to the regular External Panel meetings when panel members join together to discuss, debate and challenge a broad range of general issues, each External Panel member also engages directly with members of our Internal Panel to discuss issues of a more specialist or specific nature. The diagram above illustrates some of the areas where panel members have worked together to discuss specific business issues.



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Bringing energy to your door

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