

May 2014

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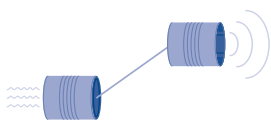
SHE Transmission Submission Document Part 1: Overview of evidence

2013/14

Ofgem Stakeholder Engagement
Incentive Scheme



Placing stakeholders at the centre of our business



Engaging effectively and efficiently



David Gardner
Director of Transmission

I am pleased to present Scottish Hydro Electric Transmission's 2013/14 Submission in relation to Ofgem's Stakeholder Engagement Incentive Scheme.

Our engagement for 2013/14 has been carried out against the background of an investment programme that will see us invest just under £5bn by 2021 in constructing a new transmission infrastructure. Working effectively with stakeholders is critical to the successful delivery of a programme driven by the demand for connections for renewable energy sources in the north of Scotland. This is, in turn, driven by UK and Scottish Government carbon targets and we are very conscious that the effectiveness of our engagement strategy with stakeholders could have a significant impact on our country's ability to meet highly important renewables objectives.

We are ever conscious that everything we do has an impact, directly or indirectly on energy bills. So this year, once again, we have sought to engage with our stakeholders in a way that is as effective as it is efficient.

We don't reinvent the wheel – where there are existing groups and communication routes, we use them. We make the most of each engagement activity, avoiding 'single issue' engagement and working closely with our sister company, Scottish Hydro Electric Power Distribution, to maximise efficiencies. That said, we have also introduced some carefully considered and innovative ways to engage with our stakeholders, including our extremely well received academically-facilitated Risk Workshop and our highly rated innovation Speed Dating event.

In our more traditional forms of engagement too, we have introduced change – we've significantly increased our profile at key industry events, including the UK's largest free-to-attend energy event, All Energy, and we use these events to ever widen our stakeholder base to include new audiences who we previously have not engaged with.

Perhaps most importantly, we've introduced a wealth of change that will deliver real benefits for our stakeholders and allow us to deliver our business plan commitments in an efficient and sustainable way.

These changes have been introduced as a direct result of the strong relationships we are privileged to have with our stakeholders – relationships nurtured by our experienced team of Stakeholder Relationship Managers who work with our expert stakeholder engagement management team to develop and deliver benefit-driven programmes of engagement. All our project managers received training on stakeholder engagement this year, and we made a commitment to complete the roll-out of stakeholder service training to everyone in the SHE Transmission team by the end of 2014. Our focus on stakeholders is ever sharper.

To complement the hard work that the SHE Transmission team have put in, and the essential input from our stakeholders, we invited a number of experts to review our engagement work to ensure that it is up to the mark. I was delighted to have the three independent assessments of our work confirm that we are indeed getting it right.

David Gardner
Director of Transmission

Minimum Requirements Key

Ofgem identified five Minimum Requirements which our initiatives are measured against using the following key:

✓ Comprehensive strategy Informing stakeholders Enabling timely feedback

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

- how the network company keeps stakeholders informed about relevant issues, business activities, decision-making and other developments, and
- how the network company enables timely input and feedback from stakeholders via appropriate mechanisms to inform decision-making.

✓ Broad engagement

A broad and inclusive range of stakeholders have been engaged.

✓ Variety of mechanism

The network company has used a variety of appropriate mechanisms to inform and engage 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.

✓ Acting on input

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

Our key stakeholder engagement activities this year

Made 10 substantial, stakeholder-led changes to the way we do things – see 'Acting on input: how we have changed this year' on page 2

Updated and improved our Stakeholder Engagement Strategy and Implementation Plan

Achieved externally assured compliance with our Stakeholder Engagement Strategy and Implementation Plan

Stakeholder engagement processes confirmed as compliant with ISO9001 standards

Independent audit confirmed the overall control environment for our stakeholder engagement is effective

Reviewed and updated our database of stakeholders

Completed our second annual Stakeholder Survey

Proposed Key Performance Indicators (KPIs) against which stakeholders can measure our performance

Developed our ongoing programme of engagement

Delivered unique-to-the-industry engagement initiatives

Increased our profile at industry and free-to-attend events

Delivered innovative Speed Dating event and Risk Workshop

Established new Principles of Written Consultation

Created our Customer Commitments document

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Our Strategy – Key Elements

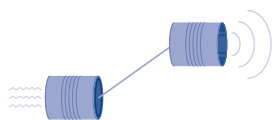
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Stakeholder Engagement: our robust approach

Our Engagement Values

Safety
We will undertake our engagement with stakeholders safely and responsibly.

Service
We will engage with our stakeholders in a way that we are proud of and make commitments we can deliver.

Efficiency
We will keep our engagement activities simple, do the work that adds value and avoid wasting money, materials, energy or time.

Sustainability
We will undertake our engagement activities ethically and transparently and in changing our business in response to stakeholder views, we will take the long-term view to achieve growth while safeguarding the environment.

Excellence
We will strive to ensure that our engagement gets better, smarter and more innovative.

Teamwork
We support and value our stakeholders and will work with them in an open and honest way; this will include actively involving our stakeholders in designing the engagement process.

Refining our Framework ✓

Stakeholder engagement is an integral part of our business – it is carefully planned and closely managed day to day, year on year, and from the boardroom to the shop floor. We introduced our current approach in 2012/13 and set out our Engagement Values which are illustrated in the table to the left. Our approach was to establish a robust framework to house specific activities and initiatives that we would continuously review, refine and improve.

We were delighted with the positive outcomes that we were able to report on last year and in 2013/14 our stakeholder engagement activities – and the benefits that have resulted – demonstrate our ongoing commitment and also reflect the growing maturity of our approach as we act upon feedback and introduce new and innovative ways to engage with those we serve.

Acting on input: how we have changed this year ✓

- Our most exciting changes include:
- Becoming the first Transmission Owner to offer compensation for power cuts caused by problems on our network
 - Establishing new practices for protecting wildlife and, with Ofgem’s approval, sharing those practices with other companies
 - Working with the Scottish Government to develop clearer documents for necessary wayleaves
 - Creating a revised Code of Practice for Grantors
 - Establishing a set of Principles of Written Consultation
 - Making our quarterly Major Transmission Projects Update more accessible
 - Trialling new speed camera technology to improve driving standards around our sites
 - Working with SEPA to introduce new approaches to managing construction activities around seasonally variable streams
 - Making it much easier to talk to our connections team
 - Committing to stakeholder service training for every member of the SHE Transmission team

Our Stakeholder Engagement Policy ✓

Our Board-approved Stakeholder Engagement Policy (our Policy) has been developed in line with a long-standing set of values: Safety, Service, Efficiency, Sustainability, Excellence and Teamwork, which permeate all of SSE’s work, from Board meetings to induction events. Our Policy sets out our high level objectives for stakeholder engagement and establishes the values and core principles that shape the design of our stakeholder engagement activities.

Consequently, a key objective of our Stakeholder Engagement Policy is to create the necessary conditions for the capture, recording, analysis, application and feedback of a representative range of customer views on an equitable, accessible and sustainable basis. In our Policy, we commit to undertaking our engagement with stakeholders in a way that is in line with the values of our parent company, SSE plc.

Stakeholders are at the heart of our business

In our Policy, we set out what we want to achieve through our stakeholder engagement activity: quite simply, we wish to ensure stakeholders are at the heart of our business.

Our Stakeholder Engagement Policy sets out the principles upon which our Stakeholder Engagement Strategy and Implementation Plan is built.

Our Stakeholder Engagement Strategy and Implementation Plan ✓

In 2013/14 we reviewed our Stakeholder Engagement Strategy and Implementation Plan, expanding it to include details of the outcomes we aimed to deliver for each of our stakeholder groups, based on the issues that we know are of importance to each group. Our Board reviewed and approved our revised plan.

In summary, our strategy is to explain more about our business, highlight the challenges we face and the opportunities that stakeholders have to influence what we do; to listen to what our stakeholders have to say, understand their aims and ambitions and be clear about how we could help them achieve them; and to take their views and look at what we can change to make sure we run our business in a way that delivers the maximum possible benefit for everyone involved.

Our Stakeholder Engagement Strategy and Implementation Plan sets out how we keep stakeholders informed about relevant issues, business activities, decision making and other developments.

See page 10, Compliance with Engagement Strategy independently confirmed.

Minimum Requirements Key

- ✓ Comprehensive strategy
Informing stakeholders
Enabling timely feedback
- ✓ Broad engagement
- ✓ Variety of mechanism
- ✓ Acting on input

The following pages outline our activities

Over the following pages we describe the activities we have undertaken to meet the six key elements of our Stakeholder Engagement Strategy and demonstrate how these activities also reflect the Minimum Requirements set by Ofgem.

| Strategy – Key Elements | |
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| 1. Identifying our stakeholders | 03 |
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Identifying and understanding our stakeholders

1. Identifying our stakeholders

We developed a list of stakeholders who we believe can add particular insight into our business. We have in place a Stakeholder Engagement Database, a contact and record management system to enable us to actively manage engagement across the business. This is managed in accordance with our Data Protection Standard.

This year, we reviewed our stakeholder contacts, refreshing contact details and ensuring that we had up to date information, particularly in relation to people who had recently changed roles.

We also worked to increase the number and diversity of stakeholders on our database by holding a prize draw at the UK's largest free-to-attend energy conference, All Energy. All Energy attracts a diverse range of people, including consumers with a personal interest in energy matters, community organisations, students, academics and a wide range of people who work in the energy industry.

Delegates who expressed an interest in SHE Transmission were invited to join our stakeholder database, in return for a chance to win an iPad mini. This has provided us with details of around 100 additional stakeholders, from a range of backgrounds, who wish to be contacted about relevant issues.

2. Understanding our relationship with our stakeholders

We have categorised our stakeholders based upon our existing relationships with them; the level of influence they have over our business; and their interest in helping us shape it.

Our Principal Stakeholders

We have identified our Principal Stakeholders on the basis of their level of interest in our business, which is a function of the impact our business can have on their aims and ambitions, and their ability to influence how we operate.

UK and Scottish Governments

Our engagement with the UK and Scottish Governments is focused on our shared ambitions of effective and efficient investment, and economic growth and provision of jobs, particularly through our programme of network development and the timely connection of renewable energy developments.

Supply chain participants

We have identified supply chain issues as being key to the timely and cost efficient delivery of our investment programme. We have a shared interest in developing and maintaining a healthy, competitive supply chain and we will engage with this group of stakeholders to help us work effectively together to achieve this. We need to make sure that we and our suppliers have access to the right materials and skills so that we can deliver our projects on time and to budget.

Landowners

We aim to maintain and evolve our relationship with landowners so that we can deliver our investment programme in a timely and cost effective way and maintain our assets by understanding how to ensure we undertake our operations responsibly, in a way that minimises the impact on landowners.

Statutory consultees

We will continue our programme of effective engagement with our statutory consultees, particularly in relation to the development of new projects, as we expand our network to accommodate the large amount of new renewable electricity generation seeking access to our network.

National Grid

We will continue to work together effectively with National Grid to ensure network customers receive a high quality of service at the lowest possible cost.

Electricity Networks Strategy Group

The ENSG is jointly chaired by the Department of Energy and Climate Change (DECC) and the Office of Gas and Electricity Markets (Ofgem) – its broad aim is to identify and coordinate work to help address key strategic issues that affect the electricity networks in the transition to a low-carbon future. We are a member of this high level forum and use it to update the other members of the Group on issues relevant to our network.

Trade bodies

We engage with trade bodies to ensure that the consensus view of their membership is considered when we make decisions. We are conscious that our stakeholders' time is in great demand and, in line with our commitment to efficient engagement, where it is appropriate to do so, we work with trade bodies to gather stakeholder views and to disseminate information via established channels.

Developers

We are committed to working with developers and their representatives to ensure that their views are taken into account. Developers, who plan and build energy generation schemes have a close interest in how we run our business as it has a strong influence over the timescales and costs associated with connecting to the Transmission network in the north of Scotland. We aim to make sure that developers receive notification, either directly or via the trade body to which they are affiliated, when we have news that is of significance to them.

SHE Transmission employees

We are undertaking our most intense period of development since the 1950s. It is vital that we take our colleagues on the journey with us as they are the face of the company. We want to make sure that our colleagues understand what we are doing and how we are doing it. We also want to learn from our people and introduce ways in which their ideas can be incorporated.

Ofgem

We engage with Ofgem on a wide range of issues, including developing a regulatory framework that allows stakeholders to contribute effectively to shaping our business.

Our Stakeholder Engagement Implementation Plan for 2013/14 has been developed in line with our Stakeholder Engagement Policy and supports our Stakeholder Engagement Strategy. In order to ensure that our resources are used as effectively and efficiently as possible, in 2013/14, we focused on:

- Principal Stakeholders, who have a particularly high level of interest in and influence over our business
- Community Stakeholders, including people with high levels of interest in our major projects; and
- Innovation Stakeholders, to support our innovation strategy.

Principal Stakeholders

UK Government
Scottish Government
Supply chain participants
Landowners
Statutory consultees
National Grid
Electricity Networks Strategy Group
Trade bodies
Developers
SHE Transmission employees
Ofgem

Community Stakeholders

Consumer groups
Communities
Local authorities
Elected representatives

Significant Stakeholders

Innovation community
Scottish Power Transmission
Non-governmental organisations

Other Stakeholders

Media
Energy suppliers

Minimum Requirements Key

- ✓ Comprehensive strategy
Informing stakeholders
Enabling timely feedback
- ✓ Broad engagement
- ✓ Variety of mechanism
- ✓ Acting on input



Actively engaging our stakeholders

3. Actively engaging our stakeholders



We offer a range of ways to engage with us, tailored to the wishes of our stakeholders. We aim to continually monitor and evaluate our mechanisms of engagement to ensure they sustain constructive engagement. We also aim to increase the number and diversity of stakeholders with whom we engage.

We are conscious that there are many demands on our stakeholders' time and we plan our engagement activity to allow stakeholders to contribute to shaping our business in a way that suits them. Much of our engagement is integrated into everyday business as we work with our stakeholders to deliver our RIIO-T1 commitments. However we recognise the value of 'set piece' engagement which can drive progress on specific matters and highlight the importance of particular issues, leading to substantial change.

Reaching out to stakeholders

Our guiding principle is that we will, where possible, go to our stakeholders rather than ask them to come to us. That means that much of our engagement is undertaken in one-to-one meetings or at events which are already part of our contacts' calendar. This is based on feedback gained through our qualitative and quantitative surveys which made clear that stakeholders value the professional working relationships they have with individuals in our organisation.

Providing a choice of communication channels

We also respect stakeholders' views about the ways in which they would like us to engage with them, and aim to engage with each stakeholder in the way which suits them best. This includes options such as whether to receive consultations in paper or electronic format, and if they prefer documents to be emailed to them or to receive a link to the relevant web page. We have also increased our social media activity and produced a series of videos to keep stakeholders informed about how we are delivering our investment programme.

Hosting stakeholder events

While we aim to minimise stakeholders' time away from their workplace or home, we believe there is value in a small number of events which allow groups of stakeholders to focus on electricity transmission, further their understanding of this part of the energy industry and consider how they would like us to evolve our business to better suit their needs.

Broadening our stakeholder audience

We recognise the need to listen to and act upon the views of a wide range of stakeholders, including those who are new to us, or have not yet interacted with us. We will continue to work to expand our stakeholder contacts to make sure that a wide range of interests are represented and that people who are new to us have their views heard.

| Engagement techniques |
|--------------------------------------|
| Face to face meetings |
| Consultations |
| Conference participation |
| Exhibition presence |
| Surveys |
| Public meetings |
| Participation in advisory committees |
| Reports and publications |

Innovative engagement in 2013/14



This year we undertook a number of new activities aimed at engaging with stakeholders in new and inspiring ways:

Innovation 'Speed Dating'

In March 2014, a rapid-fire event, styled on social speed-dating, allowed 64 focused conversations to take place in a single day between representatives from our own business and companies involved in innovating for the energy industry.

Conceived by SHE Transmission, and organised in conjunction with the Energy Innovation Centre (EIC), the event (held in the new Power Networks Demonstration Centre) aimed to accelerate the development of innovative solutions to Transmission challenges.

Our colleagues provided advance notice of key challenges to which they were seeking solutions and the EIC ensured that the delegates they were fielding represented a relevant range of technologies and approaches. Each participant rated each 'date' for compatibility and identified common ground and potential areas for innovation. Over the following month, each participant was contacted to assess what future innovation projects were worth pursuing and decisions will be made in Q1 of 2014/15.

Feedback from delegates was extremely positive:

- 94% of delegates said they identified potential innovation projects
- 100% enjoyed the event
- 100% were satisfied with the event overall

Academic-facilitated Risk Workshop

Major construction projects are delivered on our behalf by a number of main contractors and we agreed with them in early 2014 that it would be helpful to apply some academic rigour to risk identification and mitigation. To achieve this, we employed two University of Strathclyde professors to facilitate a Risk Workshop using their specialist Group Explorer system which allows concerns to be raised anonymously and to be discussed in a constructive, non-confrontational way.

The workshop brought together eleven representatives and allowed fast response to, and agreement on, risk statements, key risk themes and mitigation actions. It allowed participants to work collaboratively, bringing together their multiple perspectives to gain a shared understanding of the risks associated with SSE Transmission projects, thus strengthening the partnerships between us and our contractors.

Stakeholder feedback showed this engagement mechanism was extremely well received:

- 100% of attendees agreed that the day was beneficial
- 100% of attendees agreed that everyone was given the chance to have their say
- 90% said they would like to be considered for future events of this type

We aim to deliver more events of this type and to continue to explore new and innovative engagement mechanisms in 2014/15.

| Minimum Requirements Key |
|--|
| ✓ Comprehensive strategy Informing stakeholders Enabling timely feedback |
| ✓ Broad engagement |
| ✓ Variety of mechanism |
| ✓ Acting on input |



Informing, listening and responding to stakeholders

4. Informing our stakeholders



Reports on our business will be made publicly available in a range of formats. We will regularly update our documentation in line with feedback from our stakeholders.

To enhance their understanding of our work, we provide stakeholders with reports on numerous aspects of our business.

Improving our quarterly Major Transmission Projects Update

Of particular interest to many stakeholders are our quarterly Major Transmission Projects Update which provides valuable insight into the progress of our infrastructure projects. In 2013/14, we introduced a new format which provides additional information in a more user-friendly style. The previous version assumed that readers had a background knowledge of our work and we addressed this by including a map and an introduction which sets the context for the report.

By commissioning a design agency to look at structure and layout, we now present this critical information in a way that is clear, accessible and engaging for every level of knowledge and understanding.

Reviewing our Grantors' Code of Practice

This year we worked with the National Union of Farmers in Scotland and Scottish Land and Estates to produce a new improved version of our Grantors' Code of Practice. The Code covers access to property, works, moving apparatus, overhead line conductor heights and underground cable depths, making good any damage caused and wayleave payments.

Our Customer Charter

We developed a plain English guide to our business which sets out what our customers and wider stakeholders can expect from us. This is covered in more detail on page 06.

5. Listening and responding to our stakeholders



We aim to publish key themes arising from our stakeholder consultation processes and our response to them so that our stakeholders know what action we will be taking to improve our business.

Our Principles of Written Consultation

This year, we adopted a set of Principles of Written Consultation. The Principles establish a best practice approach to written consultation, informed by best practice in UK government*. Our Principles of Written Consultation, which were reviewed and approved by our Stakeholder Engagement Business Group, and by the Scottish and Southern Energy Power Distribution Board, are currently being rolled out to all SHE Transmission teams and our aim is for all future written consultations to be conducted in line with the Principles.

We believe that developing a best practice approach to consultation will contribute to improving stakeholder satisfaction in these areas and one of our Principles therefore focuses on ensuring that we provide appropriate feedback to stakeholders on how we have responded to their comments.

Our Principles set out how we will report back on feedback we receive from written consultations:

Following analysis and recording of responses, and within 12 weeks of the closing date for responses, we will, where possible, provide feedback on the consultation.

This includes:

- from whom responses were received
- the range of views expressed on specific issues
- how the views expressed have been used in refining the proposals
- next steps
- future opportunities for engagement

We will respect respondents' requests for anonymity and will publish feedback in a way that does not compromise that.

Our Principles of Written Consultation: in summary

1. Using written consultation only where it is the best approach
2. Ensuring timescales are appropriate
3. Encouraging participation
4. Presenting our consultations consistently
5. Making our consultations easy to understand
6. Reporting back

Why we established our

Principles of Written Communication

Our annual stakeholder survey told us that we needed to improve the way in which we consult with our stakeholders and it also showed that SHE Transmission is perceived as performing relatively poorly in the way we gather and consider the views of our stakeholders.

| | |
|---|----------|
| Extent to which SHE Transmission take their time to clearly explain their decisions to you? | 6.1 / 10 |
| Way in which you feel you are listened to and your requests considered | 6.3 / 10 |
| How effective is SHE Transmission's approach to Consultation? | 6.2 / 10 |

Minimum Requirements Key

- ✓ Comprehensive strategy
Informing stakeholders
Enabling timely feedback
- ✓ Broad engagement
- ✓ Variety of mechanism
- ✓ Acting on input

* Cabinet Office Consultation Guidelines 2010
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/255180/Consultation-Principles-Oct-2013.pdf



Being accessible to our stakeholders

6. Being accessible to our stakeholders



We are committed to being open and easy to talk to. We want to make sure our stakeholders can contact the right person easily. We will write in plain English and avoid jargon.

As mentioned on the previous page, we have adopted new Principles of Written Consultation (Appendix 3). One of our Principles focuses on making sure that our consultations are written in a clear, accessible way to encourage people who may not have previously contributed to our consultations to do so.

Our consultation documents:

- use plain English and avoid jargon
- provide sufficient background such that someone new to the subject can understand the issue and decide whether it is relevant to them
- highlight the stakeholder groups who are likely to find the consultation of interest
- make clear what are the key issues
- make clear what decisions have been made and cannot be influenced, and what remain to be decided
- provide sufficient information to allow stakeholders to make informed responses
- highlight the specific questions to which we seek responses
- provide links to relevant additional information.

Our Customer Charter



In our Summer Consultation issued in September 2012, we sought feedback from stakeholders on our proposals for a set of Customer Commitments. Stakeholder feedback was positive and in April 2013 we proposed a set of Customer Service KPIs (as required by Special Condition 3D of our Transmission Owners' Licence) on the basis of the Customer Commitments that had already been approved by our stakeholders. These KPIs form the basis of the way in which stakeholders can measure our performance.

We have now created a stakeholder-focused document entitled Our Customer Charter which:

- is written in plain English
- explains our business in a way that people with no previous involvement in the industry can understand
- sets out our commitments to customers
- sets out measures by which stakeholders can assess our performance
- promotes a range of ways in which stakeholders can get involved in issues they have an interest in.

We will publish this document as soon Ofgem approve the KPIs we have submitted to them. We will promote it via social media and free-to-attend industry events and we will work with Scottish Hydro Electric Distribution to share the document with groups who may previously had little interest in Transmission issues.

Minimum Requirements Key

✓ Comprehensive strategy
Informing stakeholders
Enabling timely feedback

✓ Broad engagement

✓ Variety of mechanism

✓ Acting on input

Our Customer Commitments

(1) We will develop, maintain and operate our networks safely at all times.

We will continue to take all reasonable steps to ensure that members of the public, contractors and staff are not harmed as a consequence of our activities. We will seek to learn from best practice around the world and challenge each other to improve our performance. This remains our highest priority at all times.

(2) We will seek to provide our customers and stakeholders with the best possible service.

In particular, we will continue to review how we communicate more effectively and our responses when you get in touch with us.

(3) We will maintain our commitment to delivering value for money across our activities.

We are funded by bill payers (both domestic and commercial energy users) and we recognise the impact our costs have on everyone's budgets. We commit to ensuring that our expenditure is efficient and effective; keeping the impact on bill payers as low as possible; and delivering fair outcomes to our customers and suppliers.

(4) We will operate in a sustainable manner, with consideration to the long-term impact of our activities.

We are committed to the communities and environments that make up our network area. The nature of our business and the longevity of our assets means that our investments will have a long-term impact and we will do what we can to ensure that we deliver positive benefits to the north of Scotland.

(5) We will build and maintain lasting, mutually beneficial relationships with those affected by our activities.

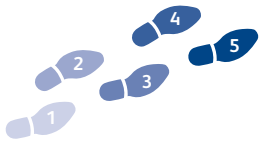
We will seek to work with you, developing multidisciplinary and multi-organisation teams, where appropriate, to deliver effective solutions that benefit the wider industry and community.

(6) We will work smarter, deploying innovative solutions where these can assist us in developing, maintaining and operating our networks.

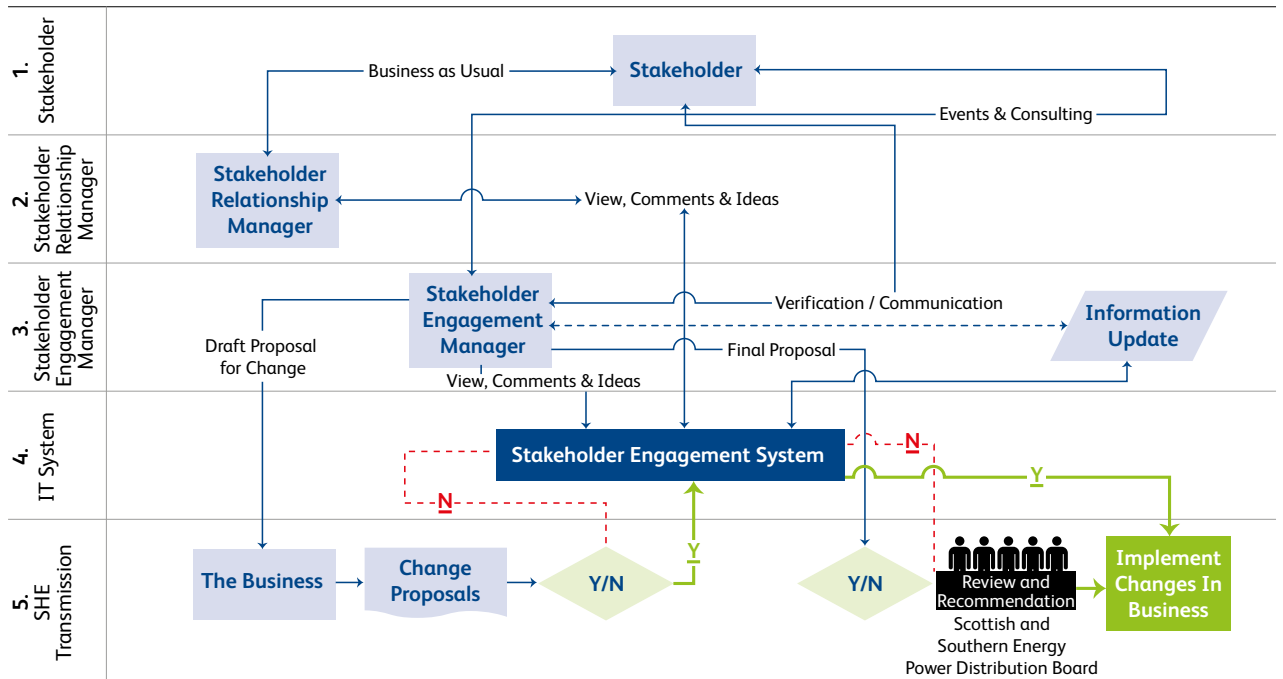
We will work with the innovation community to identify, develop and deploy new technologies and techniques that bring benefits to those impacted by our networks.

(7) We will report regularly on our performance so you can assess how we are delivering on these commitments and our wider obligations.

We will publish an annual performance report, covering our performance across our key outputs and obligations, with additional updates on important areas of our work.



Our Process



A robust process

We have introduced a robust process to record our engagement with stakeholders and the journey of their input through:

- the ways in which their views are considered within SHE Transmission
- the ways in which we change our business as a result of our stakeholders' views and suggestions
- the ways in which we complete the loop by subsequently seeking views from our stakeholders on the action we have taken.

Reaching out to stakeholders

Our engagement process in summary

1. We interact with stakeholders either via our Stakeholder Relationship Managers, or via specific events, consultations and other activities run by our Stakeholder Engagement Team.
2. We use the information from these interactions to assess how or whether we could change our business to better meet stakeholder needs.
3. We take the proposals to the relevant business teams for further development and discussion – some ideas will be identified as not feasible, or as conflicting with greater stakeholder opinion, and some will be agreed to be feasible.
4. We liaise with the stakeholder, either proposing what can be done to better meet their needs or explaining why we can't comply with their requests.
5. We will submit the feasible proposals to our Board and, on approval, implement them.

Creating and delivering our Implementation Plan

We have designed our Implementation Plan to ensure that we:

- keep stakeholders informed about aspects of our business, and the wider industry, that we believe will be of interest to them
- share news about the activities that our business is undertaking
- make well-informed and sustainable decisions.

Efficient engagement

With these aims in mind, we want to ensure that we engage with stakeholders in a way that adds value and avoids wasting money, materials, energy or time, making the best possible use of their time and aligning their engagement with us with their own activities and interests.

Working together for efficiency

Our Stakeholder Engagement Team works closely with our Distribution business's team to maximise benefits for stakeholders and minimise costs for customers by:

- developing communication methods to reduce paper usage
- using video conference where feasible
- travelling only where it adds real value
- coordinating stakeholder engagement activities with our Distribution colleagues
- sharing best practice with our Distribution colleagues
- sharing resources, including IT systems.

We are very conscious that our stakeholders' time is precious and that in many cases they are being invited to engage with an increasing number of organisations. So, while we believe that time spent engaging with businesses like ours will ultimately deliver rewards for all the parties involved, we strive to make the engagement process as simple and convenient as possible.

| Minimum Requirements Key | |
|--------------------------|--|
| ✓ | Comprehensive strategy Informing stakeholders Enabling timely feedback |
| ✓ | Broad engagement |
| ✓ | Variety of mechanism |
| ✓ | Acting on input |



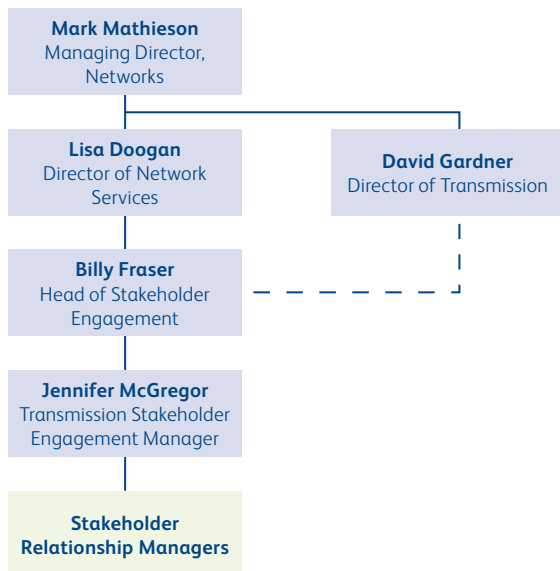
Our People



To deliver an effective programme of stakeholder engagement, ensuring that stakeholder views are integrated into our decision making, we have created a multi-disciplinary team who provide a strong mix of communication skills, project management experience, stakeholder engagement expertise and change management skills.

Strong lines of command

Stakeholder engagement is central to our future success and is reflected in the creation and placement of a Stakeholder Engagement Team within our business. Our Head of Stakeholder Engagement reports to our Director of Network Services who, in turn, reports to our Managing Director of Networks. The Head of Stakeholder Engagement also has links to the Directors of Transmission and Distribution. Along with our stakeholder engagement processes, this ensures that the views of our stakeholders are considered at the highest levels within our organisation.



Our programme of training

Our survey showed that stakeholders think highly of the people who make up the SHE Transmission. However, we always want to improve so we have begun a programme of training which will help our team improve the service they provide to stakeholders and ensure that their engagement with stakeholders is of the highest quality.

Training for project managers

All project managers in SHE Transmission have received a minimum of a half day training session on the fundamentals of stakeholder engagement and how they can play their part in delivering high quality engagement. They are also encouraged to share their learning with their teams to further establish stakeholder engagement as a business-as-usual activity.

Connections team

SHE Transmission’s connections team supports developers of electricity generation who apply for connection to our network. This is necessarily a complex and technical process, which the team work hard to make as simple as possible for the connecting customer. To support their work to improve the customers’ experience of this process, the team have received bespoke training to help them understand the value of engaging with their stakeholders and how it can help them in their aims to improve their service offering.

Stakeholder service training for all colleagues

Following a pilot event in March 2013, we have committed to delivering stakeholder service training to every member of the SHE Transmission team. See page 09 for more information.

Stakeholder Engagement Management Team

The Stakeholder Engagement Team work with our Stakeholder Relationship Managers to develop an effective framework within which their engagement activities can be planned and implemented, and the outcomes measured and recorded. The Team also ensures that the Stakeholder Relationship Managers’ engagement activities fit with our Stakeholder Engagement Strategy and Implementation Plan.

Billy Fraser

Head of Stakeholder Engagement

Billy brings over 35 years of project management experience in the energy industry to this role, and leads the Stakeholder Engagement Team. He was Scottish and Southern Energy Power Distribution’s Head of Performance Improvement from 2006 to 2012.

Jennifer McGregor

Transmission Stakeholder Engagement Manager

Jennifer took up this role in 2013 having headed up communications for Scottish and Southern Energy Power Distribution’s Future Networks Team, following thirteen years in the company’s Corporate Affairs and Regulation teams. Stakeholder engagement has been a key part of all of Jennifer’s roles within SSE, including in relation to renewable energy developments, networks projects and innovation.

Our Stakeholder Relationship Managers

One of the strongest messages delivered by our annual stakeholder surveys in both 2012 and 2013 was that our stakeholders find our staff polite (89%), professional (79%) and knowledgeable (78%), with excellent technical expertise (78%). In engaging with our stakeholders, we believe that we should play to these strengths and build on the values which already exist in the business relationships between our employees and our stakeholders. In line with this approach, we have identified some of our most experienced colleagues as Stakeholder Relationship Managers. This formalises the role they play in working with stakeholders, and allocates them a responsibility for evolving our relationships with clearly identified stakeholder groups.

Our stakeholders find our staff:

polite
89%

professional
79%

knowledgeable
78%

with excellent technical expertise
78%

| Minimum Requirements Key | |
|--------------------------|--|
| ✓ | Comprehensive strategy Informing stakeholders Enabling timely feedback |
| ✓ | Broad engagement |
| ✓ | Variety of mechanism |
| ✓ | Acting on input |



Our annual Stakeholder Survey



In 2013, we commissioned TTI Global to undertake a survey of stakeholders on behalf of SHE Transmission following on from an initial pilot completed by TTI Global in 2012.

This enables us to comply with a requirement of Special Condition 3D of our Transmission Owner's Licence which requires us to conduct an annual survey in which we ask stakeholders to rate their overall satisfaction with us on a scale of 1 to 10.

In line with our efficient approach to stakeholder engagement, both for our own operations and for our stakeholders, we also take the opportunity to ask a range of additional questions as part of the same survey. This helps us to identify areas that require particular attention so that we can deliver the highest level of service to fully meet the expectations of our stakeholders.

Survey methodology

Following the research conducted in 2012 by TTI Global, we reviewed the questionnaire to ensure all questions were relevant and met our requirements. As a result, we took the opportunity to add and amend some questions so that they were better aligned with the Customer Commitments we have now adopted. The process was also developed to allow us to capture a wider audience's perception of our relationships and services. The questionnaire addressed perceptions of the following areas:

- SHE Transmission as an organisation
- Staff within SHE Transmission
- Communication
- Website
- Supply chain stakeholders/tendering process
- Connections/Construction
- Overall satisfaction

Survey base

As part of the exercise, TTI Global were tasked with reviewing all our stakeholder contacts, refreshing contact details and ensuring that information was up to date.

The interviews

Interviews were conducted by telephone and lasted approximately 15 minutes although, for the first time this year, respondents were also given the option of participating via email. Telephone interviews were conducted using TTI

Global's in-house call centre and experienced business to business interviewers. The database provided by SHE Transmission was used in the research, applying a random sampling technique. Stakeholders were given the option of the interviewer calling them back at a time that was most convenient for them to participate.

A total of 51 interviews were completed during the fieldwork period of 18th October to the 18th November – an additional 11 interviews compared to 2012.

Overall satisfaction

The overall satisfaction score was 6.5, a 0.7 decrease in score from last year. However, the overall satisfaction question wording changed slightly this year, in alignment with Ofgem requirements. In 2012/13 respondents were asked to rate their overall satisfaction with their engagement with SHE Transmission whereas in 2013/14 they were simply asked to rate their overall satisfaction with SHE Transmission. This change of wording may have had some effect on the overall score.

Targeting improvement

We asked TTI Global to analyse the data generated by the survey to identify the areas where we should focus attention to most efficiently improve our overall satisfaction score. This revealed that the stakeholder group exhibiting greatest dissatisfaction with us is Developers and, as a result, the Stakeholder Relationship Manager for our Developers committed to delivering a focused plan of improvement, directly aligned to the findings of the survey.

Each member of the SHE Transmission connections team managing connection applications from Developers, has now received training on the importance of stakeholder engagement and on the ways in which our performance is measured. They have been fully briefed on the results of the survey and are aware of the areas where they need to focus improvement. The Team is now working to deliver a raft of improvement measures during 2014/15 and is also working together with National Grid (in their System Operator role) to ensure that improvements are delivered in the areas in which our service provision may impact on theirs, and vice versa.

Stakeholder service training



Providing a high level of service to stakeholders is important to us. From making sure we pay invoices in good time, to managing complaints effectively, many key aspects of good service have been enshrined in policies and procedures, and supported by internal communication campaigns to make sure all our colleagues are aware of the role they have to play.

However we are conscious that policies and procedures alone are not enough to deliver the level of service our stakeholders deserve. That's why, in 2013/14, we committed to ensuring that, by the end of 2014/15, all members of

the SHE Transmission team would have received face to face training on stakeholder service and all teams would be tasked with developing a plan for improving the service they provide to their stakeholders. In March 2014, we delivered a pilot training session to assess whether the proposed training course would achieve the objectives of increasing colleagues' commitment to providing excellent service and helping teams create action plans.

We are now developing plans to rollout this training to all SHE transmission colleagues.

Minimum Requirements Key

- ✓ Comprehensive strategy
Informing stakeholders
Enabling timely feedback
- ✓ Broad engagement
- ✓ Variety of mechanism
- ✓ Acting on input



“Based on our activities, nothing has come to our attention to indicate that the SHE Transmission statement of compliance with its Stakeholder Engagement Strategy and Implementation Plan is not fairly stated, in all material respects, with the reporting criteria.”

Conclusion of ERM CVS External Assurance of SHE Transmission’s Compliance with its Stakeholder Engagement Strategy and Implementation Plan [Appendix 5](#)



| Minimum Requirements Key | |
|--------------------------|--|
| ✓ | Comprehensive strategy Informing stakeholders Enabling timely feedback |
| ✓ | Broad engagement |
| ✓ | Variety of mechanism |
| ✓ | Acting on input |

Audit and accreditation

During 2013/14 we undertook a range of activities relating to the independent verification and accreditation of our stakeholder engagement activities.

Independent audit ✓

In March 2014 our stakeholder engagement processes were audited by SSE plc’s Group Audit team in a comprehensive review. Group Audit is independent of the activities which it audits to ensure it provides the unbiased judgements essential to its proper conduct and impartial advice to management.

The detailed Objectives and Scope were agreed between Mark Mathieson, Managing Director, Networks and SSE Group Audit. The overall objectives of the assignment were to identify the key risks associated with Distribution and Transmission stakeholder engagement and to assess the effectiveness of controls to manage these risk areas. The risk areas covered are noted in the Audit Report.

- Review the Stakeholder Engagement Strategy and Policy
- Assess the process applied to implement the Ofgem feedback from the 2012/13 submission
- Assess the Stakeholder Engagement Team’s Terms of Reference and delivery capability
- Review Stakeholder Engagement Project Plans
- Review Stakeholder Engagement Implementation Plan
- Assess the process of identifying relevant stakeholders and how feedback is obtained and analysed to streamline processes and measure stakeholder benefit through the establishment of key management reporting information

A summary of key agreed actions with responsibilities and dates for completion is contained in the Audit Report and these are being progressed within the required timescales.

The auditors concluded that “the overall control environment for Distribution and Transmission Stakeholder Engagement... is effective”. This means that in our auditors’ opinion, the necessary processes and procedures are in place and effectively managed.

ISO 9001:2008 Quality Management System Accreditation ✓

We had a successful management system certification audit carried out by an external accreditation organisation to ensure that our stakeholder engagement processes are compliant with the ISO 9001:2008 Quality Management System. This demonstrates our commitment to working effectively to meet the needs of customers and other stakeholders while simultaneously meeting the following relevant statutory and regulatory requirements relating to our activities.

The objectives of the audit were:

- to confirm that our management system conforms with all the requirements of the audit standard
- to confirm that our organisation has effectively implemented the planned management system
- to confirm that our management system is capable of achieving our organisation’s policy objectives.

This audit covered our quality management processes including Board level commitment and Senior Management involvement in the approach that we have taken, the benefits and outcomes for customers and communities, the allocation of budget and resources in a cost effective manner, and the documented procedures and processes of our engagement.

The audit confirmed that we had established and maintained our management system in line with the requirements of the ISO 9001:2008 standard. The audit report also included the positive observations that “the Stakeholder team demonstrated a strong awareness of the importance of complying with the requirements of the ISO 9001:2008 standard” and that “positive engagement with key stakeholders and other interested parties was evident”.

Compliance with Engagement Strategy independently confirmed ✓

In April 2014, ERM Certification and Verification Services (ERM CVS) conducted an independent assessment of the extent to which we had complied with our Stakeholder Engagement Strategy and Implementation Plan. ERM CVS’ conducted Limited Assurance, which it considered to be appropriate in this case. The assurance methodology is based on the International Standard on Assurance Engagements (ISAE 3000).

The Terms of Reference, agreed by Ofgem ([Appendix 6](#)), detail what level of performance we had to achieve to be assessed as either having complied, exceeded compliance or failed to comply with our Plan.

ERM CVS concluded that SHE Transmission had complied with its Stakeholder Engagement Strategy for 2013/14.

The Terms of Reference define compliance with SHE Transmission’s Stakeholder Engagement Strategy and Implementation Plan as:

“The evidence provided to the assessor provides sufficient confidence that SHE Transmission is proactively engaged in delivering its Stakeholder Engagement Strategy and Implementation Plan, in particular:

- understanding of the six elements that form the basis of its Stakeholder Engagement Strategy and Implementation Plan are demonstrated by SHE Transmission personnel
- activities equal to or equivalent to those activities set out in its Stakeholder Engagement Strategy and Implementation Plan have been undertaken and
- variation from its Stakeholder Engagement Strategy and Implementation Plan can be justified by reference to stakeholder preferences or alternative approaches have been adopted to meet the same overarching objective.”

[Appendix 5: Our Statement of Compliance with our Stakeholder Engagement Strategy and Implementation Plan, including ERM CVS’ conclusions on the assurance activities performed.](#)