



electricity
north west

Bringing energy to your door

Stakeholder Engagement Incentive 2014/15

Part 1

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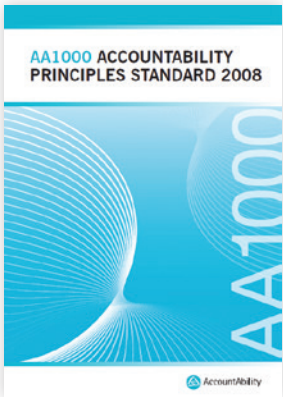


Strategy

Evidence 1: 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.

We continue to follow internationally-recognised best practice in stakeholder engagement – the AA1000 AccountAbility Principles Standard (AA1000APS). The principles of the standard are inclusivity, materiality and responsiveness, each of which form the fundamental basis of our engagement approach.



In 2014/15 we worked with Deloitte to help develop KPIs to track our material issues, and we also worked with PwC to provide assurance against our description of our activities over the year.

As in previous years we have continued to maintain a list of stakeholders, our materiality matrix, and our internal stakeholder engagement tracker through quarterly Internal Stakeholder Panels and biannual External Stakeholder Panels.

Laying out specific issues relevant to us and our stakeholders in our materiality matrix helps us objectively prioritise issues and ensure adequate time and resources are allocated to each issue.

Combined with our internal ‘Stakeholder Engagement Manual’ for employees, our approach ensures that we all contribute to understanding who our stakeholders are, what issues they care about, and how we can respond to either reduce risk or make the most of any opportunities that arise.

Overarching aims

Our company vision is to be the “leading energy delivery business,” and to help do that we’re focused on delivering excellent customer service. This goal is supported by our company values: Customer, People, Safety, Performance, and Innovation.

We know from our ongoing stakeholder engagement – including the significant work that went into developing our business plan for the current price control (RIIO-ED1) – that our stakeholders require us to deliver a network that is:

- Reliable
- Affordable
- Sustainable
- Delivered with excellent customer service

All our stakeholder engagement activity and responses to it are underpinned by these overarching stakeholder aims.

Electricity North West stakeholder priorities



Five-year stakeholder engagement plan

Our five-year plan, which we included in last year’s stakeholder review, has helped shape our activity over the past year. It intentionally focuses on three key areas that we recognised needed prioritising:

- Stakeholder engagement process
- Social media
- Vulnerable customers

Each subject is then related to our focus for the given year, beginning with the relaunch of our

stakeholder engagement strategy in 2011/12. Following this relaunch we gave specific focus to governance in 2012/13, setting up robust ways of doing things to ensure we did what we said, and made a difference for stakeholders.

The following year, 2013/14, we focused on our people. Using communications to engage our employees to ensure we had buy-in and understanding of what we were aiming for.

Over the year 2014/15 we have built on this foundation by investing in technology for the future. And in future years we intend to continue developing our role as a DNO to be even more customer focused. Further detail of our vision, continuous improvement, and how we are using stakeholder engagement to tackle the energy industry’s big issues are set out in Part 2.

Our five-year plan for three key issues: stakeholder engagement, social media and vulnerable customers:

YEAR	2011/12	2012/13	2013/14	2014/15	2015/16
Focus on	Launch	Governance	People	Technology	Development / expansion

Governance

We established our Internal and External Stakeholder Panels in 2012 to give us a formal structure within which to test and address stakeholder views. We use these panels to keep our stakeholders informed and allow timely input to our decision-making. By making minutes from these panels available on our website we share this information with a wider audience of stakeholders (www.enwl.co.uk/sustainability/your-say/previous-events).

External Stakeholder Panel

Our External Stakeholder Panel meets twice a year. In between the meetings we are available to meet with the members or answer any queries they may have. The Panel’s remit is to challenge us on our approach and act as a sounding board helping us refine approaches or suggest new ones. We are accountable to all stakeholders, but stakeholder representatives on our External Panel have a clearly defined objective to do so.

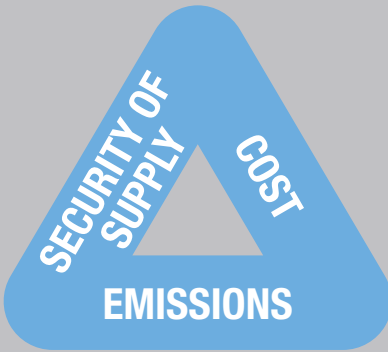


Internal Stakeholder Panel

Our Internal Stakeholder Engagement Panel meets at least four times a year to discuss key developments and progress, and make decisions based on feedback from engagement. The Panel includes directors and senior leaders within the business with a remit to respond to stakeholders’ feedback on behalf of the organisation.



Using stakeholder engagement to address the wider energy trilemma



Energy Trilemma



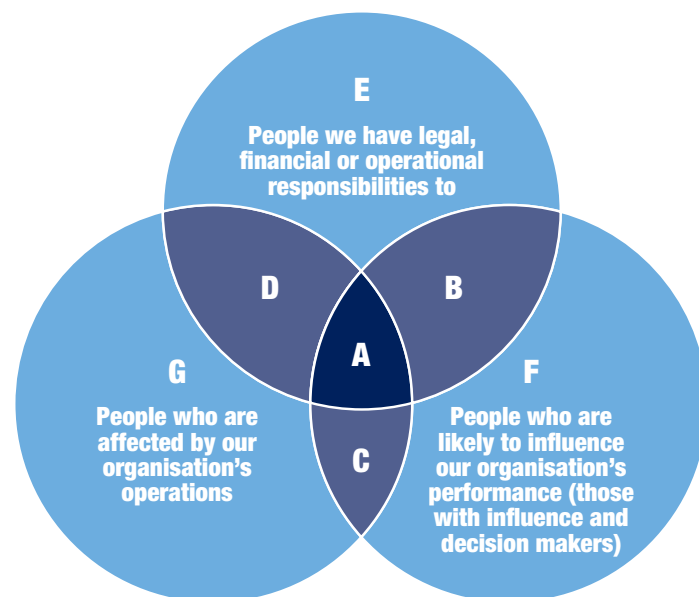
AA1000APS principle 1: Inclusivity

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

Inclusivity means ensuring that we engage with all relevant stakeholders, and that we are able to weight them accordingly. The AA1000APS helps us make sure that we systematically record details of relevant stakeholders, including issues they are concerned about, but that we

also guard against being swayed by either those who shout the loudest or those who have more resources for engagement activity.

We assess our stakeholders using a formula we have used for the past three years based on the Venn diagram below.



This assessment allows us to prioritise engagement with stakeholders based on either our impact on them, or their impact on us.

- Level 1 stakeholders: A
- Level 2 stakeholders: BCD
- Level 3 stakeholders: EFG

In turn, this prioritisation of stakeholders allows us to prioritise material issues based on the number of stakeholders an issue affects and the levels of the stakeholders the issue affects.

Our full list of stakeholders is listed in our Stakeholder Engagement Manual (see appendix). This list has been reviewed every three months at each Internal Stakeholder Panel, and every six months at each External Stakeholder Panel. There have been no changes to the list in the past year.

Key engagement that we have carried out in 14/15 is listed in our Part 2 submission and includes engagement with:

- British Red Cross
- Cumbria Neighbourhood Watch
- Customers through awareness campaigns and surveys
- Employees
- Financial stakeholders
- Greater Manchester Combined Authority
- Local Resilience Forums including emergency services
- Local communities and groups for projects including our Power Saver Challenge
- Other Distribution Network Operators (through Energy Networks Association and other industry meetings)
- National Parks and other NGOs through our Undergrounding for Visual Amenity group
- Schools through our BrightSparks programme

“Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.”

AA1000 AccountAbility
Principles Standard 2008

Materiality

Evidence 3: 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

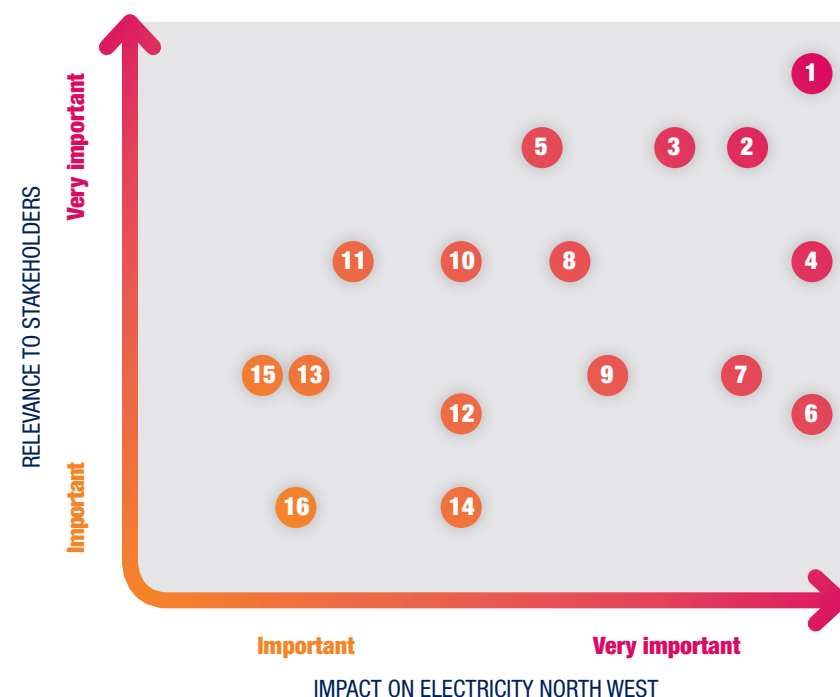
Following AA1000APS, we regularly and formally assess the material issues that are relevant to both our organisation and to our stakeholders.

Relevance to stakeholders

We calculate relevance to stakeholders by weighting both the level of each stakeholder affected by an issue (based on the Venn diagram explained in the inclusivity section), and the number of those stakeholders affected. This allows us to prioritise issues based on how many of our key stakeholders are affected so that we can then make sure we allocate appropriate resource to each issue.

Impact on Electricity North West

Scoring for issues laid out on our materiality matrix is based on our corporate risk matrix with issues raised by stakeholders scored against set criteria. Those criteria are: financial, legal, regulatory, health, safety, environment, people, reputation and customer service, plus a weighting incorporating the likelihood of each issue having a major effect on our business in the next ten years.



“Materiality is determining the relevance and significance of an issue to an organisation and its stakeholders. A material issue is an issue that will influence the decisions, actions and performance of an organisation or its stakeholders.”

AA1000 AccountAbility
Principles Standard 2008

- 1 - Reliability
- 2 - Customer service
- 3 - New nuclear
- 4 - Safety
- Pricing
- 5 - Network resilience
- 6 - Financial performance
- 7 - Innovation
- 8 - Low carbon future
- 9 - Skills development
- 10 - Fuel poverty
- Streetworks
- Vulnerable customers
- Speed of connections
- 11 - Providing sufficient capacity
- 12 - Reducing network emissions
- 13 - Undergrounding for visual amenity
- 14 - Major contractor relations
- 15 - Substation appearance
- 16 - Reducing carbon footprint



“To make good decisions and actions an organisation and its stakeholders need to know what issues are material to the sustainability performance of the organisation.”

AA1000 AccountAbility Principles Standard 2008

2014/15 has seen significant criticism being levelled at network operators and the industry. A summary from one of our key stakeholders, trade magazine Utility Week (30 January 2015), shows a number of high profile issues undermining consumer confidence.

We have engaged with stakeholders on each of these issues, relaying messages that stakeholders had told us and ensuring that the industry was represented. Each of these issues was already covered on our materiality matrix.

DATE	ISSUE	OUR RESPONSE
January 14	Christmas power cuts criticism	We set up a visit to Northern Ireland Electricity to review their response plans, as well as engaging with other networks through our trade body, the Energy Networks Association. We have reviewed and improved our own response plans as a result of this engagement and have been an advocate for national initiatives with our Head of Customer Experience chairing the customer sub-group for the new single emergency number for power cuts.
May 14	Competition in connections criticism	We were shown to be the leading network operator in this area this year, opening up more sectors to competition than any other. In 14/15 we held dissemination events to help other DNOs follow our lead.
July 14	Energy and Climate Change Committee Network costs inquiry	Engaged with the select committee to put forward a view reflecting stakeholders' priorities such as reliability, sustainability and affordability.
November 14	Ofgem confirms cuts in final determinations	We have reduced our costs through an organisational re-design, enabling us to deliver the more stretching requirements of our new business plan, for a lower cost.
March 15	British Gas and Northern Powergrid appeal determinations decision to Competition and Markets Authority, appeals granted	We have submitted a response to the British Gas case so far and – aiming to deliver a fair result for customers – we will continue to engage as required.

Each of these issues in the above table requires different ways of informing and engaging stakeholders. This includes engaging with local authorities, emergency services and national government on improving the industry's response to storms, to engaging with connections stakeholders and other DNOs to open up the market to more competition. We have held workshops, seminars, community events and one-to-one meetings to engage with stakeholders in the most effective way.

Responsiveness

Evidence 4: The network company can demonstrate it is acting on input / feedback from stakeholders.

In last year's submission we laid out exactly what we'd done to address each issue on our materiality matrix. We included more than 50 individual activities grouped under each issue on our matrix, with increased activity focused towards the most important and relevant issues for us and stakeholders (as defined by our materiality matrix).



This year, while continuing with our ongoing stakeholder engagement for each of our material issues, we have focused our activity for the year on two key areas that have been significant areas of interest for us and stakeholders over the past 12 months, which is in line with addressing the energy trilemma:

1. Security of supply through key low carbon and smart meter initiatives as well as innovative technology investment.
2. Consumer confidence and improving services for vulnerable customers.

These issues relate directly to our overarching stakeholder requirements of reliability, affordability, sustainability and customer service.

We recognise that to deliver for stakeholders we must invest in technology. In 14/15 we signed contracts for two major technology systems that will make our network more reliable, more affordable, more sustainable, ready to make the most of smart grids and smart meters, and help us deliver even better customer service.

They are:

- a new Network Management System – a three-year development and implementation deal expected to cost £16m
- a new Customer Relationship Management tool that was implemented in May 2015 following almost a year of development.

Further information on our responsiveness, including our technology investment is detailed in our Part 2 submission.

DNO collaboration

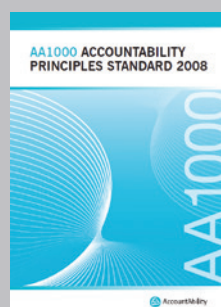
Aware of the collaboration between Gas Distribution Networks (GDNs) in addressing stakeholder issues, Electricity North West initiated a stakeholder engagement best practice information sharing group attended by DNOs' stakeholder managers. The first meeting was held at Electricity North West in November 2013 and has since been hosted by each other DNO in turn with the latest meeting hosted again by Electricity North West in March 2015.

Together this group has engaged on a number of different issues. For further information please see the joint appendix from the group.



“Responsiveness is an organisation's response to stakeholder issues that affect its sustainability performance and is realised through decisions, actions and performance, as well as communication with stakeholders.”

AA1000 AccountAbility Principles Standard 2008



Assurance, accreditations and awards

STANDARD	DETAIL
AA1000APS	We have continued to follow the AA1000APS principles of inclusivity, materiality and responsiveness
Independent assurance	Formal independent assurance on our description of our stakeholder engagement activity: <ul style="list-style-type: none">• 2014/15 assurance provided by PwC• 2013/14 assurance provided by Deloitte• 2012/13 assurance provided by Deloitte
Corporate Responsibility Index	Reported against CR Index for third year achieving highest ever score, including 100% for stakeholder engagement element: <ul style="list-style-type: none">• 2014/15 score: 79%• 2013/14 score: 73%• 2012/13 score: 54%
Global Reporting Initiative 3.1	Reported against GRI 3.1 since 2011 latterly as part of our Sustainability Report
Global Reporting Initiative G4	We are working towards GRI's new G4 Sustainability Reporting Guidelines and appointed PwC in April 2015 to help us achieve this
Institute of Customer Service 'ServiceMark'	ServiceMark is a national standard which recognises an organisation's commitment to, and achievement in customer service. We achieved this mark at the first attempt this year, scoring over 87% in the Customer Service Measure
IET Accredited Professional Development Scheme	Maintained IET accreditation for our graduate, HNC and A-Level training schemes ensuring development and support in line with the IET's set criteria enabling the IET to monitor the progress of developing engineers
ISO14001	Environmental Management Systems standard
London Benchmarking Group	During 14/15 we were members of London Benchmarking Group, which we hoped would help us track engagement outcomes and successes. However, following a review, we decided that the cost was not good value for customers due to its specific focus on charitable work rather than engagement
National Association of Pension Funds	Pension Quality Mark Plus
OHSAS 18001	Occupational Health and Safety Assessment Series for health and safety management systems
PAS-55	Re-certified against the BSI PAS-55:2008 standard for Asset Management on 6th January 2013 and hosted a surveillance audit in November 2014. Certification to the successor ISO55001 standard is planned for later this year
Portfolio Institutional Awards	Best Risk Management at the Portfolio Institutional Awards 2014
Public Relations	Gold award for Outstanding In-House Public Relations Team at the North West Chartered Institute of Public Relations PRide Awards 2014
Van Excellence	Worked with the Freight Transport Association to develop the Van Excellence guidelines and were one of the first organisations to gain accreditation. We continue to shape the future of Van Excellence by serving on the scheme's Governance Group

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