

**Stakeholder Engagement
Incentive 2019/20
Supplementary Questions
Responses from Cadent**

July 2020

Supplementary Questions posed by the panel:

- Q1.** Please explain how you use Social Return On Investment (“SROI”) analysis in decision making, particularly where it conflicts with other research findings and/or business priorities. Additionally, please provide an example of this and demonstrate how you have used SROI to inform decisions in regard to that example.
- Q2.** Page 8 of your Part 2 submission details a £800k investment to collaborate with public authorities to tackle climate change. Please explain what this was spent on and what it delivered in measurable outcomes?
- Q3.** The COVID-19 pandemic has changed both the ways of working and how stakeholder engagement is conducted. Please provide responses to the following:
- a.** How have stakeholders helped you put in place new ways of working for the COVID-19 pandemic?
 - b.** What new methods of stakeholder engagement have you found useful and why?
 - c.** What learnings from the pandemic are enabling you to deliver more for customers and stakeholders?
- Q4.** Many companies are using technologies such as Artificial Intelligence to improve stakeholder engagement.
- a.** Please explain what steps have been taken to use technologies such as Artificial Intelligence, Big Data and others to improve stakeholder engagement, deliver benefits to stakeholders and improve services to vulnerable customers.
 - b.** What data sets have you made available to other stakeholders?
 - c.** What help, if any, are you giving these stakeholders with using the data?

We have responded to each of the questions on the following pages:

- Q1 – Page 3
- Q2 – Page 4
- Q3 – Page 5
- Q4 – Page 6

Q1: Social Return on Investment (SROI) is a method for measuring value that is not commonly reflected in traditional cost benefit analyses. It includes environmental, health and financial benefits to customers. We use SROI to inform our decision-making and often prioritise this calculation when there are conflicting research findings. Examples below:

Social Investment Approvals – When presenting opportunities for social spend to the Cadent Executive, Cadent Board or Cadent Foundation, we include the SROI calculation along with costs, an assessment of risk, a view of strategic alignment and other more traditional cost benefit analysis calculations. In late 2019, the Cadent Foundation approved a request to fund a £1 million investment to support customers living in fuel poverty with free first time central heating. The SROI calculation was the primary assessment of benefit in this decision. This represented a significant shift from our core social focus, as it extended our responsibilities beyond the meter and our regulatory obligations, subsequently accepting new and additional risk into the business.

Prioritisation – Similarly, when considering options for social spend, the SROI is a key factor in decision-making. When considering our strategy to support customers through providing awareness of the potential dangers of carbon monoxide, we reviewed the costs and benefits of multiple approaches, including classroom lessons, billboard advertising, TV and radio advertising, newsletters and social media campaigns. We identified a far greater SROI from classroom training, as it had a much higher propensity to result in actions being taken, because of the children passing the knowledge onto families and friends, than the other forms of information sharing. We have therefore majored on this approach. This conflicted with other research and evidence, which typically suggests that radio and TV campaigns offer the greatest overall awareness and value levels.

Retrospective reviews of projects – Another form of decision-making is whether to continue or discontinue projects and initiatives. Part of our project review process involves an assessment of actual SROI delivered. In part, our decision to extend our trial (in the West Midlands network) of customer support beyond the meter (e.g. appliance repairs and replacements) was made based on the high SROI achieved, leading to its rollout in all four networks.

We use SROI in our **engagement** activities to simplify propositions and make what we do much more accessible for our customers to understand and subsequently provide feedback on. We also used SROI for our **RIIO-2 Business Plan prioritisation**. Our customer willingness to pay data showed that customers are far more willing to pay for additional services for customers in vulnerable situations than Ofgem has allowed for in the business plan guidance. Therefore, we used the SROI values as the primary factor in prioritising our Business Plan proposals.

Q2: Most local authorities across our regions have declared a climate emergency, however many do not have the experience, knowledge or technical expertise to develop the **complex energy plans** that will enable them to meet the UK's net zero target. Therefore, we made the decision to significantly invest in ensuring that we could support public authorities in turning their climate change aspirations into **whole system energy strategies** and plans, and be the conduit in helping them to engage with the right stakeholders in central Government.

This **required significant investment**, both in terms of our resources and time, as these are long-term strategies that require research, education, engagement with multiple stakeholders and future planning. The £800k mentioned in Part 2 has been invested in **resourcing these activities**; 90% of our External Affairs Team's time is spent engaging with public authorities on tackling climate change. This, along with their accommodation and travel costs, equates to approximately two thirds of this investment. The remaining third is a combination of other resources committed to engaging on net zero, including; senior leaders' time, of which over 20% is spent engaging with central, regional and local government bodies; resource secondments (see Part 1 Page 07); funding **research activities and the production of publications**, such as our HyMotion report in May 2019, which we engaged with local authorities within the Liverpool area to produce.

Many of our stakeholders are on a journey in terms of increasing their knowledge and building capability to develop energy plans for their regions. Our engagement is helping them develop clear asks **utilising gas and electricity infrastructure**, and articulate their requirements more effectively to influence wider energy policy. We are also able to identify where local authorities can **deliver lasting effective change**, for example, improving energy efficiency in social housing. These are long-term strategies which will require years to deliver measurable outcomes. Progress made in 2019/20 includes:

- Developing the Greater Manchester Combined Authority (GMCA) **Energy Masterplan** pathways with the GMCA and Electricity North West (see quote on Part 1 Page 08)
- **Green gas** is being discussed by local authorities as a viable solution, whereas prior to our engagement activities, the discussions were solely focused on electrification
- We regularly attend and speak at **Local Energy Partnership board meetings**, shaping future energy planning; and we sit on 12 regional energy boards
- Local authorities are utilising us to coordinate **major infrastructure works** with other authorities, to ensure that the solutions tackle climate change and are future-proofed

Tackling climate change is a major priority for our stakeholders, and in 2020/21 we will be **investing in even more resources** to engage with public authorities to deliver net zero.

Q3a: Stakeholders have been key to us developing new ways of working. We have:

- Worked with charities such as RNIB, Age Concern, Groundworks, etc. to **identify extra support provisions** for customers in vulnerable situations, and engaged with the Cadent Foundation to review options and funding support for charities/communities
- Supported Citizens Advice to develop **best practice guidance** for utility companies
- Worked with other GDNs, utilities, local authorities and governmental bodies to support the **development of changes to policies** and the reintroduction of our works
- Engaged with employees to understand their needs through video calls and surveys
- Formed a **working group of senior leaders** from energy and utilities across Europe to discuss best practice and learning as countries began to reduce lockdown restrictions
- Engaged with customers to understand how we could **reduce their concerns** about us accessing their properties and recommencing work, and updated our processes

Q3b: We had already established a wide range of flexible and accessible methods (see Part 1 Page 05), and so could quickly mobilise these technologies to engage. We have:

- Maximised **video conferencing systems** to host roundtable discussions and customer forums, which have been much more efficient and have had good engagement levels
- Created **online surveys with embedded video content** to provide extra information on key themes – largest response rate ever from customer forum members (97%)
- Used **SMS real-time surveys** to understand customers' concerns about us entering their homes before work commenced (enabling us to proactively adapt our approach)
- **Digitised Safety Seymour** (our classroom-based service) and created a new website, to ensure that CO awareness is still accessible for children, parents and teachers
- Conducted **engineer home visits** (using appropriate PPE) to explain our service and identify levels of vulnerability, before remobilising our mains replacement work
- Launched **radio adverts** to explain the essential service we provide and the safety measures we are using to protect customers and colleagues (see Part 2 Page 07)

Q3c: A key learning from the pandemic is that we can engage **more frequently, effectively and efficiently using digital technologies**, and be even more productive and proactive in the pursuit of delivering an improved service for our stakeholders and customers. Therefore, we will continue using these methods. We also learned that most employees are more engaged and productive through our **new flexible working arrangements**, enabling them to provide better service, and we will also continue this. We also learned that we can adapt quickly to make our services even more accessible. PPE can hinder face-to-face communication for people with hearing impairments, so we will continue to give employees **24/7 access to SignLive** (see Part 2 Page 06) and other tools which provide **flexible and accessible solutions** to improve communications.

Q4a: As described in Part 1 Pages 03-04, data and technology are core to our customer strategy. Examples of how we have improved stakeholder engagement, delivered benefits to stakeholders and improved services to vulnerable customers include:

Customer Centre service improvements – We have used AI across our emergency call handling and customer care services to develop our call agents, deliver operational efficiencies and inform service improvements via our Customer Insights Team.

Leakage prediction – We have significantly improved the accuracy of our leakage prediction and prevention by a factor of four through the application of Big Data and AI.

Investment planning: Advanced data optimisation techniques allow us to compare the costs and benefits of replacing every pipe in our network in isolation or in combination to model the safety, financial, environmental and service benefits prior to decision-making.

Identifying customer needs – We have developed a vulnerability ‘needs analysis mapping tool’ with the Centre for Sustainable Energy, using multiple data sources to visually map the concentration of people with different vulnerability risk factors (see Part 1 Page 07 and Part 2 Page 04 for details of our Social Indicator Mapping Tool).

We also use AI in our **advanced customer performance reporting, cyber security** and widely use virtual reality for **employee training** and **stakeholder engagement**.

Q4b: Some examples of where we have shared data with stakeholders include:

PSR – We have long taken the leading role in the establishment of a single PSR across energy, sharing customer vulnerability data and leading the development of a common set of needs codes. We are also now nearing completion of their application to the water industry (see Part 2 Page 10).

Needs analysis tool – We have shared the data and tool with our fuel poor delivery partner Affordable Warmth Solutions, GDNs and other utility companies and partners.

Incident Management Application – We have shared our electronic application to manage our customer interaction during major gas supply incidents, to identify and track specific (vulnerability) needs, with other GDNs.

Asset Investment Plans – We are members of various regional investment groups where data is shared to allow local planners and utilities to better plan upcoming work.

Q4c: We have held numerous working sessions and demonstrations with National Grid, GDNs and other utilities over the last 12 months to support the sharing of data/tools. In leading the establishment of a single PSR, we set up working and governance groups, and interfaced directly with technical support providers on behalf of the industry.