National Grid Electricity Transmission (NGET) response to 2020 Stakeholder Engagement Incentive supplementary questions

This document contains NGET's response to the four supplementary questions issued by Ofgem's independent panel following their assessment of our Stakeholder Engagement Incentive submission for the 2019/20 incentive year.

In line with Ofgem's guidance, responses to the four questions have been limited to a total of four pages, with details of questions as follows:

1. In the absence of a Social Return on Investment ("SROI") methodology, please explain how NGET measures projected benefits against actual benefits delivered

2. Page 11 of your submission indicates that the results of stakeholder engagement are now being better used throughout the business. Please provide responses to the following:
   a. Explain how this has been achieved and any barriers to this that have been successfully addressed.
   b. Why have these changes happened now rather than earlier?

3. 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?

4. 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?

Question 1 response

We have an SROI methodology (details on page 12 of our submission), which has been really useful in measuring the less tangible benefits we create for stakeholders. We've been using this over the past year, and it works particularly well for CSR-type initiatives where there's an agreed measure, such as job creation or skills/qualification attainment. It allows us to compare projected benefit with actual benefit both during and after the project, and it has been especially useful in estimating and tracking benefits for community initiatives and projects to support the vulnerable. Our tool's alignment to Treasury Green Book principles means it provides a more realistic estimate than methodologies based on willingness to pay studies, which consumers say they find complex and difficult to understand[1], leading to uninformed answers and inaccurate measures of benefit.

In addition to using our SROI calculator, we have also used a range of other tools and metrics to help measure projected and actual benefits – we use whatever is the most appropriate for the project we're working on. These include using the cost of carbon or natural capital to measure environmental benefits, satisfaction scores for service improvements, and pure financial measures where we're targeting efficiencies. Some of our larger-scale, longer-term engagement focuses on creating change to reflect what our stakeholders need. For these macro-level projects, we track benefit by measuring policy change, such as with the electric vehicles case study on page 14 of our submission.

We've recently formalised this process into a Benefits Tracking Framework. Through the relevant governance channels, this helps us agree targeted benefits upfront, then check whether or not we are delivering these during and at the end of each project.

SROI has therefore been a welcome addition to our existing ways of measuring benefits but is not something that can be used in isolation. As with all engagement-related activities, tailoring our approach is really important. Whatever the measure, we make sure we set out our desired, measurable objectives at the start of any project (including projected benefit), which we balance against cost to achieve, then measure against our results. This has the additional benefit of helping us identify which type of projects *not* to take forward in future because total benefits (to stakeholders) do not outweigh costs (to National Grid). Even when projected benefits do outweigh costs, we still assess whether or not we are best placed to deliver the work before committing to it. Going forward, we will coordinate external reporting of different types of benefits through consistent channels, in line with the commitments outlined in our engagement strategy.

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[1] Source, 2019/20 Blue Marble consumer research for CC Water, https://www.ccwater.org.uk/wp-content/uploads/2020/05/Engaging-water-customers-for-better-consumer-and-business-outcomes.pdf

Question 2 response (parts a and b combined)

It would have been great to have reached this point sooner, but this has been about continuous improvement, and to properly embed change takes time – trying to make a quick change usually means it doesn't last. You told us two years ago we had improved the way we engaged, but that acting and making stakeholder-led changes was an area where we still needed to get better. This made us look again at our processes and ways of working, particularly the steps *before* we engage (when clarity on the purpose of engagement is really important) and *after* we engage, so that we use the insight in our decision-making processes. We made good progress in 2018/19, and over the past 12 months we've made additional changes which have further systematised and embedded this approach (details in our Part 1 submission). We're now more mature in terms of our stakeholder focus, and our idea of good is very different to where we were before.

In 2019/20, we focused improvements both top-down and bottom-up, including updating our engagement strategy, introducing a Board charter committing us to a more stakeholder-focused way of working, and assessing teams on a one-to-one basis through a new tool aligned to our stakeholder Business Management System and strategy – allowing us to address any gaps on a tailored basis across the business. We've also changed processes, governance and ways of working to support colleagues in making changes (and we're continuing to make further improvements this year), we've invited more external challenge to our decisions (to check we're genuinely stakeholder-led), and we've ensured that consumer impact is a key consideration in the decisions we make.

We have definitely had to overcome barriers and challenges in doing this. For example, having a customer base of only c.200 and not having a direct relationship with domestic consumers has historically meant that 'stakeholder' was not an obvious area of focus for many of our teams. Changing this has involved working with colleagues to explain why this is important and crucially, what it means for them and why insight needs to inform decisions. In the past year, we also addressed challenges caused by the complexity of our governance processes, and resource constraints have been barriers too, but we've addressed the challenge of previously having just a few people trying to change the rest of the business by integrating insight into our governance processes and by making stakeholder part of more and more colleagues' objectives. Finally, separation from the ESO in April 2019 created challenges, because many stakeholders weren't concerned about the new splits in roles and just wanted one NG contact for everything. We identified and worked closely with these stakeholders to agree what works best for them.

Our progress has been evidenced by this year's highest ever customer and stakeholder satisfaction scores (8.21 and 8.64 respectively), our improved AA1000SES health check results (78%), positive NPS scores (+25), external recognition (see page 10) and more positive anecdotal stakeholder feedback.

Question 3 response

COVID-19 only had a material impact on the final three weeks of the 2019/20 incentive year, so our answers cover the actions we took before and after the end of 2019/20.
a. It was vital that we started by understanding our stakeholders' evolving needs before making COVID-related changes. We already had plans (developed with stakeholders) for dealing with a pandemic, so during March we communicated with all our stakeholders via emails, social media and our website to understand what they needed from us and to let them know what we were doing. We also contacted all customers directly (many wanted more one-to-one contact than usual) to understand their situations and support them through the crisis, and we reacted quickly to the developing situation to make significant changes to the way we worked. Maintaining normality was stakeholders' top priority, so we focused on ensuring system reliability (control room teams even lived on site in their own 'bubble'). We worked with key stakeholders including Ofgem, BEIS and our supply chain to take the right actions to re-plan work and prioritise, and we also consulted the Independent User Group. We were the first network to pause and reassess work, which meant we could restart before others in line with our stakeholders' changing priorities.
b. COVID has made regular engagement even more important. Unsurprisingly, we've relied heavily on digital channels, made possible through swift IT changes. We've combined blanket comms with more tailored engagement and have used alternatives to physical engagement, using third-party insight for example (already available and up-to-date), and have generally become more respectful of people's time and situations. We've introduced brand new channels including a website coronavirus hub[2] which went live just before lockdown, to inform and reassure during the crisis, and have dedicated our social channels to sharing COVID-related content. To support new ways of working, we set up a new external advisory group to provide challenge and input into our response to the pandemic as well as how this impacts our longer-term responsible business approach.
c. Learning from our COVID challenges is helping us improve in many ways. We have learnt how to maintain vital power supplies whilst providing additional support to our employees and communities, we have learnt how working differently with stakeholders can help us develop closer relationships, and our learning has been a trigger to start partnering with charitable organisations to explore how we can help tackle the emerging unemployment crisis (which goes broader than energy). We have revised work on our Responsible Business Charter to reflect the impact of COVID, and we have increased the amount of internal engagement with employees to both support them and help them support our stakeholders. Initial stakeholder feedback and satisfaction scores indicate that our help and support through the crisis has been very well received.

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[2] https://www.nationalgrid.com/stories/how-we-are-responding-to-coronavirus

Question 4 response (parts a, b and c combined)

Technology is a key facilitator in our stakeholder engagement. On page 17 of Part 2, we talk about ConnectNow, a web-based interface for stakeholders wishing to connect to the grid. We have longstanding expertise in using huge sets of asset data to manage our network, and we've now shared this data to directly benefit stakeholders by improving and simplifying their connections experience. Access to this data via an enhanced digital experience was a stakeholder priority, so we used Artificial Intelligence (AI) to help users find cost-effective connection solutions which also maintain network reliability. We used algorithms to analyse huge volumes of network and asset data and provide a choice of all viable solutions. To help stakeholders use this data, we involved them in the development of the tool and created simple, intuitive guidance which has been really well received. Our Digitalisation Strategy[3] and Innovation Strategy[4] both highlight our continued investment in AI, Machine Learning and Data Science capabilities.

We've also worked with other networks and the ENA to make our data available as part of the DSO Implementation Plan, and shared data as part of other ENA-led work on digitisation and whole system solutions, all of which will ultimately benefit stakeholders by ensuring networks are collectively ready for future change.

When it comes to vulnerability, consumers have told us it's an issue that is better addressed by suppliers or DNOs (as also indicated by the bespoke DNO consumer vulnerability element of this incentive). However, data can help us in other ways, and so we work with third parties who are better placed to collate and analyse Big Data, including research agencies to examine consumer trends (which have subsequently helped shape our priorities), environmental organisations to help us understand the environment impact/benefit of projects, and database providers to help us target representative samples (including harder-to-reach groups) in consumer research projects – something we're looking to expand into our major projects work.

We have also used technology in a range of other ways to benefit our stakeholders, including the development of an interactive online tool for a 2019 consumer research project to enhance the process of engaging with us, and the use of drones and AI to monitor the condition of overhead lines in a way that is less disruptive to our stakeholders. What we *haven't* done is use AI or Big Data ourselves to identify and support vulnerable consumers – we do this in our US business where consumers are also our customers, but as a transmission-only business in the UK with a more indirect relationship with consumers, it would neither be appropriate nor efficient for us to be custodians of large volumes of consumer data.

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[3] https://www.nationalgrid.com/uk/electricity-transmission/document/131766/download
[4] https://www.nationalgrid.com/uk/electricity-transmission/document/133491/download