

Listen Report

14 June 2018

Key Messages

Creating a truly stakeholder led business submission is critical for the success of National Grid and to the whole energy industry. In a time of such unprecedented change, we must work closely with all those impacted to make sure our future business plans will meet the needs of our broad ranging stakeholders with the flexibility to adapt to whichever future plays out. We identified best practice stakeholder engagement from across water, aviation and other regulated industries and have developed a three-phased approach.

- **Listen:** The first phase is designed to truly understand our stakeholders' needs and wants at a high-level. The outcome of this phase is our three consumer and eight stakeholder priorities.
- **Co-create:** Building on these priorities, we will engage extensively through a variety of channels that suit our stakeholders; working together so you can influence our detailed investment plans. We will explore alternatives and consequences with stakeholders to help inform their views; exploring the potential to flex the service level we deliver with clear costs and benefits.
- **Propose:** Bringing together all the output from the co-create phase with all other topics, we will engage on our holistic business plan. We will explain to stakeholders how we have responded to their feedback and show the impact of each decision on our overall business plan.

This report describes the outcome of the listen phase and how we arrived at our priorities.

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1. Purpose of this document

- 1.1. This document summarises the 'Listen' phase of engagement. It tells the story of our stakeholder engagement to date and describes how we will continue to engage with stakeholders going forward.
- 1.2. This is the first of three documents that will describe the approach we've taken to stakeholder engagement and how it has shaped our business plans. Following each phase of stakeholder engagement, listen, co-create and propose, we will document:
- What we've heard
 - What we've done in response
 - What we'll be doing next

PURPOSE

Why we're doing this

WORK WITH US

We want to work with you to shape the future gas national transmission system

COMMITMENT

What we've done so far and how we're committed to listening

THANK YOU

Thank you for your honest and open feedback to date. Please continue with this



2. Background

- 2.1. The gas and electricity networks provide the backbone power corridors for Great Britain, lighting and heating our homes and industry. Our National Gas Transmission Network is at the heart of an energy industry which is going through a rapid period of change driven by multiple factors including the rise in distributed energy resources, the impact of environmental decarbonisation policies, the advent of smart technologies and changing consumer behaviour.
- 2.2. The changing energy landscape is placing new demands upon our network. It is more important than ever that we listen to the evolving requirements of our stakeholders and incorporate these into our medium to long term business plans. This will set the direction for the standards of service we will provide, the efficient level of expenditure that will be entailed and the performance outcomes upon which we will be measured.
- 2.3. Our network is regulated by Ofgem which controls how much we are entitled to earn for the services we provide. The current regulatory framework for transmission networks is known as RIIO-T1 (Revenue = Incentives + Innovation + Outputs) and will end on 31 March 2021. Ofgem has initiated a [review](https://www.ofgem.gov.uk/network-regulation-riio-model/riio-2-price-control)¹ with a view to determining the new price control framework to apply for the subsequent RIIO-2 period.



¹ <https://www.ofgem.gov.uk/network-regulation-riio-model/riio-2-price-control>

3. Our Objectives

3.1. We are determined to be highly stakeholder focussed in our approach to business planning. We believe this is the right way to create a successful, sustainable business in which we focus on providing the services that our stakeholders want and need. To achieve this we must align the regulatory incentives upon us, and strike the right balance of risk and reward to efficiently finance our business to achieve this.

3.2. This is in keeping with the ambitious challenge we have set ourselves – as expressed in our company vision statement: “We will exceed the expectations of our customers, shareholders and communities today and make possible the energy systems of tomorrow.”

3.3. As we embark on our next regulatory price control period RIIO-T2 our goals are:

- Listen to, collaborate and empower stakeholders with a stronger voice in our future business plans;
- Simplify and clearly articulate our views and how we add value on key issues – supported by robust evidence;
- Continually seek to increase transparency;
- Enhance the flexibility and agility with which we operate; and
- Continue to drive efficiency and innovation through our business.



4. Establishing our engagement approach

- 4.1. We manage the gas transmission system on behalf of our stakeholders. We recognise more than ever the importance of bringing these voices in to the decision-making processes of our business.
- 4.2. We are passionate about creating and delivering a robust engagement approach. To ensure we effectively develop and deliver such an ambitious programme we started by investigating best practice:
- Identifying key learning from our RIIO-T1 stakeholder engagement approach – both in terms of what worked for us and our stakeholders and what was less effective;
 - Building on best practice from other regulated sectors including electricity distribution, gas distribution, water and aviation.
 - Working with external advisors to establish the overarching approach and challenge our engagement plans.
 - Sharing our approach with key stakeholders to help understand what good looks like for them.
 - Utilising a recognised standard (AA1000SES) as the basis for our engagement approach
- 4.3. We asked our stakeholders how they wanted to engage with us. Stakeholders told us that:
- They have a limited capacity to engage with us on everything.
 - They don't always find big events useful as the topics are not always relevant to them and it can be difficult to get their voice heard.
 - They need us to clearly guide them through the process of how best for them to get involved.
- 4.4. From this work, we will adopt the following principles:

Inclusivity

- All stakeholders should have the opportunity to have a say in the decisions that impact them.
- We will ensure we identify up front those stakeholders most impacted by topics under consideration.
- We will build the knowledge of our stakeholders, bringing them up to a common level of understanding so that they can make informed decisions.

Materiality

- Only engage on topics that are material and that stakeholders can influence. Exploring where there is potential to flex the service level we deliver with clear costs and benefits.

Responsiveness

- We will act transparently throughout and be clear on how decisions have been made. Using our stakeholder priorities to tell the story throughout.

Our three-phased approach

4.5. We took all this on board and designed an engagement programme that we believe gives stakeholders the opportunity to have their voices heard on the subjects that matter to them whilst at the same time having visibility of the wider impacts of any decisions.

Listen

- Listening to our stakeholders is something we do as part of our day-to-day activities. In addition, where it is the most appropriate method to gain our stakeholders view we host engagement events as part of a coordinated programme. Bringing the outcome of all our engagement together gives us a clear view on what you want us to focus on in the future

Co-create

- This is where we build on your priorities, working with you to develop the detail around our business plan proposals. For each priority, we will work with you through a variety of channels to create our detailed business plans. We will also provide regular updates to let you know what we are doing and how you can get involved

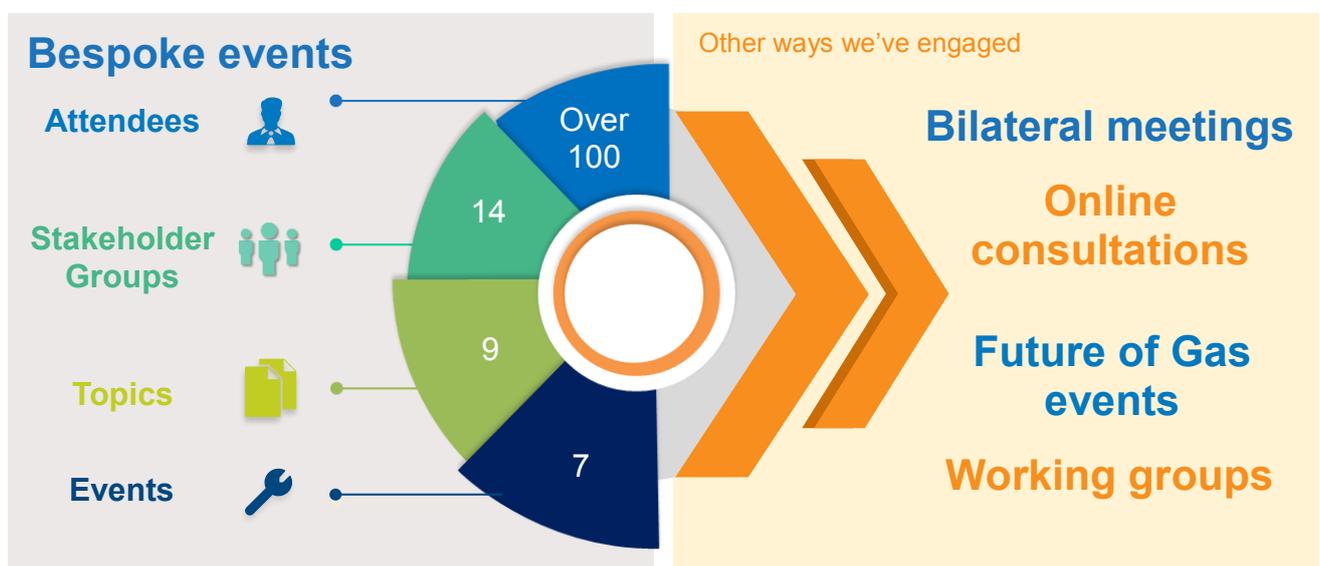
Propose

- During this stage, we will publish our draft business plan for you to review and comment on ahead of our final submission to our regulator. You will have shaped this during the co-create phase of engagement and will see how your views have influenced our proposals. You will have further opportunity to comment on and shape our overall business plan.

5. Description of our engagement to date

- 5.1. Throughout RIIO-T1 we have been engaging with stakeholders on a variety of topics, including reopener submissions, Future Energy Scenarios, UK and European regime developments and more recently the Future of Gas.
- 5.2. When developing our engagement approach for the listen phase, we looked at numerous engagement channels. We wanted to reach a broader range of stakeholders than we have ever done before and draw on all our ongoing engagement activities. The overall aim was to start the conversation and understand stakeholder priorities as we move into the next phase.

Objective	Output
Understanding our stakeholders	<ul style="list-style-type: none"> • Prioritised list of stakeholder groups • Landscape of current engagement activities against stakeholder groups • Understanding stakeholders' engagement preferences • List of key topics stakeholders wanted to engage with us on • Broad engagement approach agreed with stakeholders
Clarify what stakeholders value leading to... Stakeholder priorities	<ul style="list-style-type: none"> • Clear understanding of what stakeholders want us to focus on leading to the creation of our stakeholder priorities and consumer priorities • How our activities impact on the broader industry • What we're good at and what we need to improve on • How stakeholders think we should value and prioritise different types of risk • How stakeholders would like to be engaged going forward
Validate stakeholder priorities	<ul style="list-style-type: none"> • Validated the priorities as representing stakeholder views • Establish where stakeholders were focused on specific priorities; which will help future engagement • Adjusted wording and created an additional consumer priority in response to feedback from consumer bodies



Conferences - three bespoke events autumn 2017

- Start the conversation on how to engage and build relationships
- Build a wider understanding of why stakeholder views are important to us.
- A forum to allow stakeholders to share their views and concerns.
- Build an appreciation of the topics we will be engaging on.

Existing working groups and forums - monthly

- Understand the views of those we engage with regularly and test the priorities with them

Webinars - three topic focused, one feedback

- Share developing messages and gain insight through ad-hoc polling and open question sessions

In depth stakeholder interviews - 46 conducted

- Understand the awareness and views of broader, influential stakeholders towards the energy industry and our business.

Customer conversations - ongoing

- Greater understanding of where our customers' business is going and what they needed from the National Gas Transmission System to help them.

Quantitative Domestic Consumer research - over 2000 responses

- Understand consumer awareness and attitudes towards the energy industry and National Grid Gas Transmission.
- Start to get a view of priorities of domestic consumers for energy.

Satisfaction surveys - 107 customers and 53 stakeholders during business year 2017-2018

- Operational insight in to what our customers and stakeholders want us to improve on and what is important to them

Social media

- Awareness of our events

6. Our consumer and stakeholder priorities for RIIO-T2

6.1. Our engagement so far has provided us with rich insight that we have grouped to create our consumer and stakeholder priorities. We listened to what you have said and will be building our RIIO-T2 business plans around these priorities.

Industrial and Domestic consumer priorities ...

I want an affordable energy bill

I want to use energy as and when I want

I want you to minimise disruption to my life

...are delivered through our stakeholder priorities...

I want to take gas on and off the Transmission system where and when I want

I want all the information I need to run my business, and to understand what you do and why

I want to connect to the Transmission System

I want the gas system to be safe

I want you to protect the Transmission system from cyber and external threats

I want you to care for communities and the environment

I want you to facilitate the whole energy system of the future – Innovating to meet the challenges of an uncertain future

I want you to be efficient and affordable

6.2. We tested these priorities with our stakeholders during a webinar in January 2018 that they represent their needs and wants of the National Gas Transmission System with ninety percent of respondents agreeing. We have also received strong support for our priorities in bilateral conversation with stakeholders and through the other channels we have used to share them.

Industrial and Domestic consumer priorities

6.3. Whilst we have three distinct consumer priorities, we must deliver them together. This removes the risk of any individual priority being taken out of context. This would likely not deliver on the other two priorities and could result in an unsustainable solution for consumers.

I want an affordable energy bill

Keeping energy affordable to everyone is a key priority. We will strive to keep our impact on consumer bills low and work with our customers to keep energy affordable.

I want to use energy as and when I want

Energy underpins today's fast paced society with its reliability and availability often taken for granted. With increased intermittency from energy generation and changes in the way we use energy, we need to be more focused than ever on delivering energy to where it's needed.

I want you to minimise any disruption to my life

With uncertainty around the future of energy, especially the decarbonisation of heat, we need to be aware of the potential impact on consumers. Particularly in relation to replacing heating systems and disruption to roads. We added this priority following feedback from consumer groups.

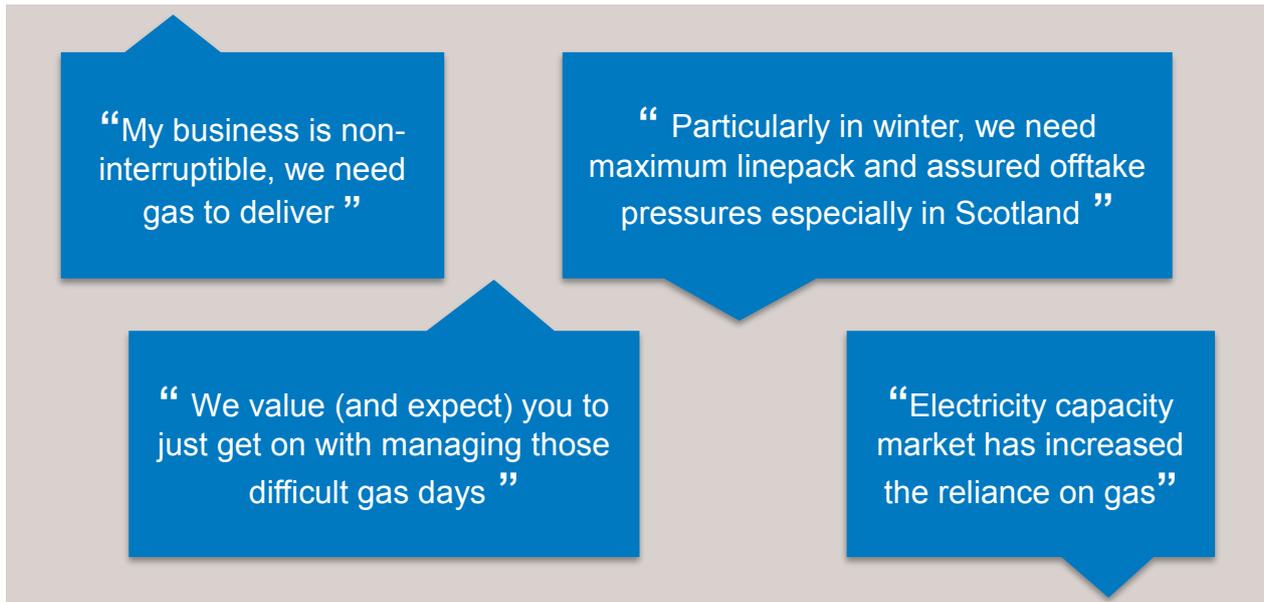


Stakeholder priorities

We captured direct quotes from stakeholders wherever possible to ensure we had clear and specific evidence from which to bring together the stakeholder priorities. A flavour of this feedback is shown below.

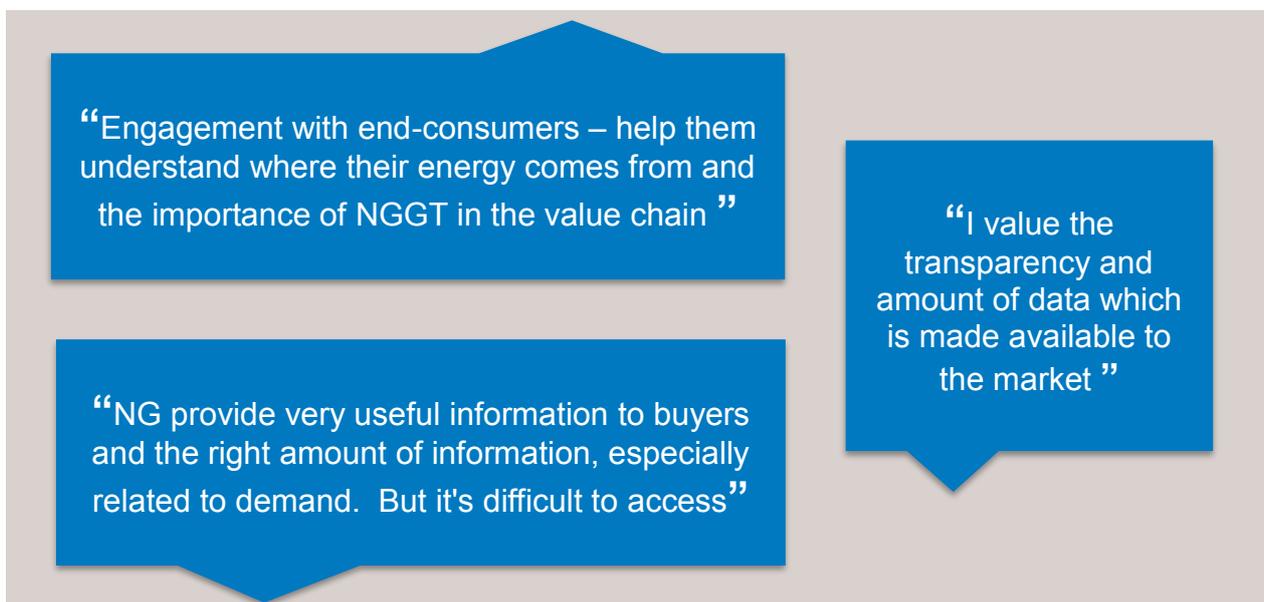
I want to take gas on and off the system, as and when I want

This is about planning and running the National Gas Transmission System on a day to day basis, delivering the availability and reliability our customers expect.



I want all the information I need to run my business, and to understand what you do and why

This is about how we communicate with our stakeholders and transparency, ensuring we provide the right levels of information to the wider industry.



I want to connect to the Transmission System

This is about making it easy to connect to the National Transmission System, lowering barrier to entry for all potential customers.

“More can be done in explaining the connection and capacity process. There are over 1000+ pages to read!”

“Workshops involving potential connectors should continue beyond project CLoCC”

“Customer connection process requires improvement cost of design (PARCA)”

I want you to protect the Transmission system from cyber and external threats

This is about protecting the National Gas Transmission System from deliberate threats, ensuring the resilience of this critical national infrastructure.

“Cyber security for the Transmission system is a National security issue”

“ Cyber security should be considered alongside physical security”

“Outputs need to include Cyber Security and this needs to be funded”

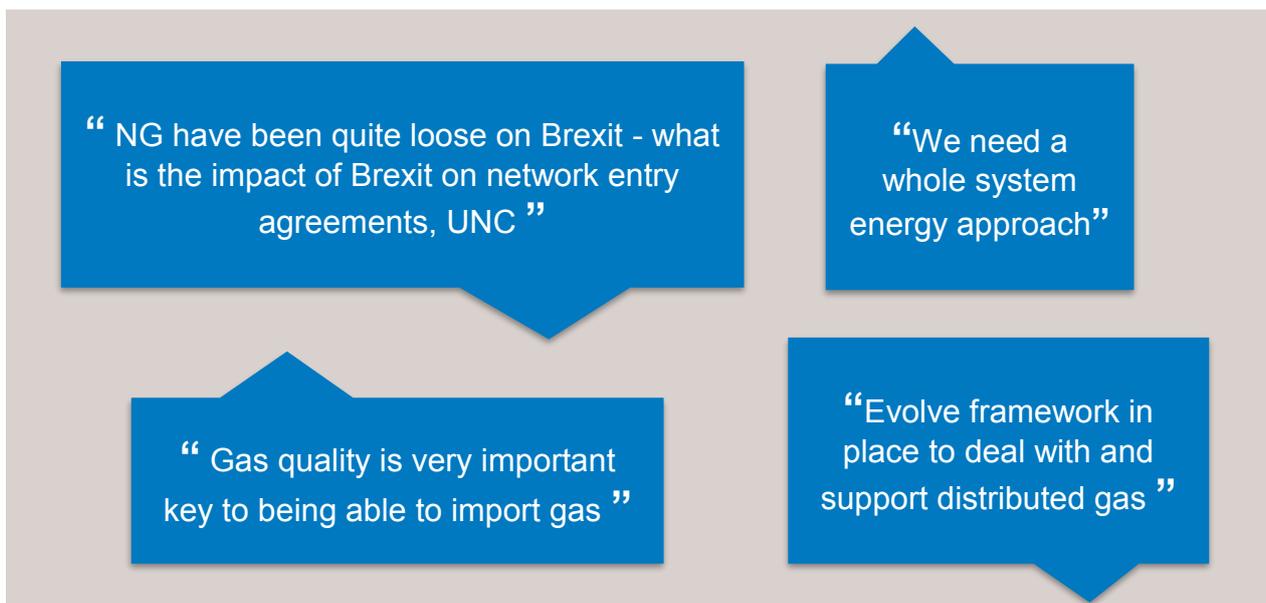
I want you to care for communities and the environment

This is about managing the environmental impact of our activities, operating in a socially responsible way for the communities that we work within.



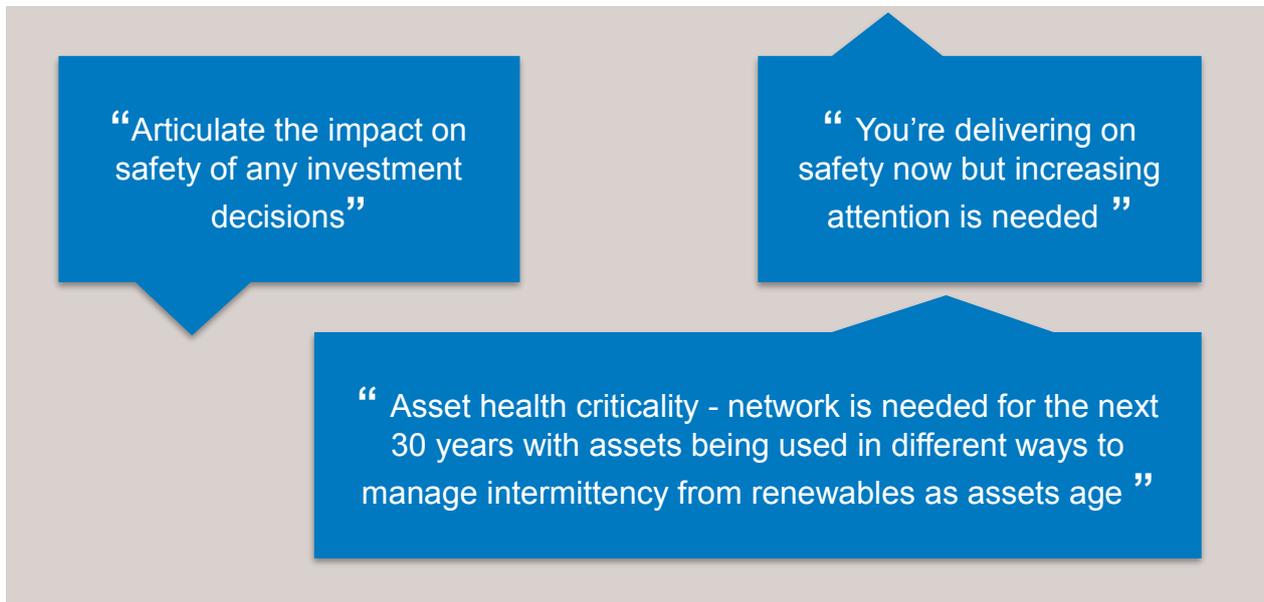
I want you to facilitate the whole energy system of the future – Innovating to meet the challenges of an uncertain future

This is about considering the whole energy system of the future, understanding our role in making that future a reality.



I want the gas system to be safe

This is about the safety of our assets and protecting the public, delivering on the expectation that we will manage the inherent safety risks.



I want you to be efficient and affordable

This is about keeping energy affordable for domestic and industrial consumers, playing our part by ensuring we manage cost and risk in the interest of our customers.



7. Next steps and how you can continue to get involved

As set out in this document, we're building a robust and transparent engagement approach, designed to give stakeholders the opportunity to co-create our business plans.

	2018				2019
	Winter	Spring	Summer	Autumn	Winter
I want to take gas on and off Transmission System where and when I want	Using the right scenarios to build our business plans		- Delivering the right size of Gas Transmission system - Asset Health investments	- Tactical national Gas Transmission system reinforcement - Investment programme - Customer service	
I want the information I need to run my business			- Information provision - Gas market balancing and capacity systems and services		
I want you to facilitate the whole energy system of the future		Gas industry change plan		Whole energy system innovation	
I want you to leave a positive impact on our communities and environment			- Environmental impacts to the national Gas Transmission system - Responsible demolition of assets		
I want to connect to the Transmission System	Facilitating the connections to the national Gas Transmission system				
I want you to protect the Transmission System from cyber and external threats			Protecting the national Gas Transmission system from external threats		
I want the gas system to be safe			Accidental interference from third parties	Delivering safety compliance	
I want you to be efficient and affordable	Outputs, products, incentives and services				

You asked for us to keep you updated on progress. We've therefore created regular touchpoints throughout the co-create phase with a view to:

- Clarify what we've heard
- Sign post upcoming engagement
- Playback outcomes from our stakeholder user group

To stay updated and learn more about our ongoing engagement please visit

youenergyfuture.nationalgrid.com



8. Glossary

Term	Definition
Stakeholder	A person, group or organisation that either has influence over our licence to operate or has an interest or concern in our activities
Customer	People or entities who pay us for the products and/or services they receive from National Grid
Consumer	The user of the service that our customer pays for.
Stakeholder Engagement	The process used by an organisation to engage relevant stakeholders to achieve agreed outcomes.
Risk	An uncertain event or set of events that, should it occur, will influence the achievement of objectives.
AA1000SES	AA1000 AccountAbility Stakeholder Engagement Standard (2015); the most widely applied global stakeholder engagement standard.
CLoCC	Project CLoCC (customer low-cost connections) will provide a turnkey solution to minimise the cost and time of new connections to the National Transmission System (NTS) for smaller and unconventional gas customers