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</table>
Introduction

I am pleased to present Scottish Hydro Electric Transmission’s 2015/16 Submission in relation to Ofgem’s Stakeholder Engagement Incentive Scheme.

This third year of our RIIO-T1 Price Control has been characterised by delivery. Most significant amongst our deliveries this year has been the successful completion and energisation of the 400kV Beauly to Denny transmission line.

We also want to make sure we deliver stakeholder engagement of the highest calibre, to ensure we make robust, informed decisions at every level of our business.

Learning from panel feedback

Last year, the independent panel appointed by Ofgem concluded that we merited a score of six out of ten for our stakeholder engagement performance, reflective of ‘fair’ performance.

Listening closely to the panel’s feedback, we realised that to improve our engagement, we needed to bring stakeholders more directly into decision making at the very highest, strategic, level of our business.

We also recognised that making the most of synergies between our Distribution and Transmission businesses could be helpful in helping stakeholders engage effectively with us and that consistency of approach on engagement matters, where appropriate, would be desirable. Our approach to engaging with stakeholders makes the most of the linkages between our Transmission and Distribution businesses whilst recognising the different needs and interests of each business’s stakeholders.

In our Submission last year we said that we would move to an issue-based approach to engagement. However, feedback from the panel suggested that the ‘stakeholder group’ approach we had applied for the first two years of RIIO-T1 was well-regarded, and that there were other, more pressing improvements to be made in how we structure our engagement. Taking this on board, we decided to continue structuring our core engagement activities around our stakeholder groups.

We also wanted to make sure that stakeholder views were more directly influential on the delivery of our business plan commitments by bringing that influence to bear at the very highest levels of our organisation. Over the past year we have worked to develop proposals to establish an Advisory Panel which will provide direct feedback to the SSEPD Board on its performance in relation to delivering on our publicly stated RIIO-T1 business plan commitments. That new approach, combined with a commitment to enhanced reporting, and increased diversity in the Scottish and Southern Energy Power Distribution (SSEPD) Board itself to ensure better representation of a broad range of stakeholder views will revolutionise how we are held to account for our RIIO-T1 performance. I look forward to that and the other big changes taking place in the coming year. They are covered in more detail on page 7.

Working together with other Transmission Owners

A final piece of useful feedback we received from the panel helped us recognise that we needed to work more effectively with National Grid Electricity Transmission and SP Energy Networks, our fellow Transmission Owners (TOs), to do the right things for stakeholders. We’ve made good progress on that, which we present in the appendix to our submission.

I hope you’ll see from this report how our approach to stakeholder engagement is evolving to match the needs of stakeholders and delivering real benefit to the communities we serve.

Dave Gardner
Director of Transmission

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Key stakeholder engagement activities this year

<table>
<thead>
<tr>
<th>Information on page</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSEPD Board approval to introduce an Advisory Panel to advise and challenge on Business Plan delivery</td>
</tr>
<tr>
<td>Embedded our ‘Strategic-Organisational-Operational’ approach to engagement</td>
</tr>
<tr>
<td>Stakeholder engagement processes confirmed as compliant with ISO9001 standards</td>
</tr>
<tr>
<td>Delivering positive outcomes for stakeholders</td>
</tr>
</tbody>
</table>

Who we are

Scottish Hydro Electric Transmission plc (SHE Transmission) is a licensed Transmission Owner, serving the North of Scotland. SHE Transmission, along with the licensed Distribution Network Operators Scottish Hydro Electric Power Distribution (SHEPD) and Southern Electric Power Distribution (SEPD), form SSE plc’s Networks business, known as Scottish and Southern Energy Power Distribution (SSEPD).
Stakeholder Engagement: our robust approach

We categorise our engagement as either Strategic, Organisational or Operational. This allows us to be more confident that our business is benefiting from input at all levels, and that we are playing our part in supporting the interests of a wide and inclusive range of stakeholders.

Our Engagement Values

We undertake engagement with our stakeholders in line with a set of six Engagement Values which are based on the ‘SSE SET’ Values of the SSE plc Group. Our Service value was publicly redefined in October 2015 to emphasise that: “We put the current and future needs of customers at the heart of everything we do.”

Our Chief Executive Alistair Phillips-Davies describes the change as follows:

“Over the last three years, the SSE group has been re-shaped. Our Networks businesses are much more explicitly centred on customers. For this reason we have redefined our Service value to emphasise the central role of customers across all SSE’s businesses.

“The new definition is clear and simply-stated, and puts the onus on all of us in SSE to make sure the current and future needs of customers are at the centre of our business.”

We have reflected this change in our Engagement Values.

Our Stakeholder Engagement Strategy

Engaging on multiple levels

Organisational Engagement

Our business is involved in activities which affect, or require input from, a large number of organisations. To maximise performance in these activities, we need to work well with these stakeholders. Our Organisational engagement focuses on engagement with national organisations and regional bodies such as local authorities. Outcomes of this engagement are typically delivered via new working practices, policies or procedure.

Operational Engagement

Our day to day activities involve a wide range of stakeholders and our focus here is to engage effectively with communities, customers and contractors. Our Operational engagement activities will often have outcomes that affect how we provide services to customers and how we work with communities as we invest in the electricity transmission network.

Our Stakeholder Engagement Strategy

Our Stakeholder Groups

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

Community Stakeholders
Communities
Consumer groups
Elected representatives
Local authorities

Significant stakeholders
Innovation community
Non-governmental organisations
Scottish Power Transmission

Other stakeholders
Energy suppliers
Media

Our Stakeholder Engagement Policy

Our Board-approved Stakeholder Engagement Policy sets out our high level objectives for stakeholder engagement and the values and core principles that shape the design of our engagement activities. 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.

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. Our Transmission and Distribution businesses share the same Stakeholder Engagement Policy.

*Ensuring activities are rewarded only once. The engagement activities we have undertaken are described in more detail throughout this report. We are conscious that we should not seek recognition through the Stakeholder Engagement Reward on activity that is rewarded elsewhere. Where we refer to results that may be rewarded in other incentives, for example our stakeholder engagement satisfaction survey, we make that clear.*
Our Stakeholder Engagement Strategy

Our Stakeholder Engagement Strategy helps us to actively solicit the views and ideas of a broad range of stakeholders, and to do so in a timely manner that enables us to reach swift and effective decisions.

Strategy point 1: Identifying our stakeholders

We have developed a list of stakeholders who we felt could add particular insight into our day-to-day business and RIIO-T1 business planning processes.

We have created a centralised stakeholder contact and record management system to enable us to actively manage engagement across the business. This is managed in accordance with our Data Protection Policy and ISO 9001:2008.

Our database is regularly reviewed as new relationships are formed, existing relationships are strengthened or where individuals have moved jobs and no longer have a relationship with SHE Transmission.

Moving to a more sophisticated database system

Our existing database is fit for the purposes of managing our contact list and recording engagement activity, including ensuring all actions raised through engagement activities are completed.

However, evidence to support decision making has to be collated manually and the system is not intuitive, meaning that use was limited to a small team who uploaded information on behalf of colleagues.

In 2015/16 we decided to move to a proprietary stakeholder engagement system, Vuelio, which we have had customised to meet our specific needs.

As at April 2016, our Vuelio system is being user tested prior to full implementation by summer 2016. In addition to allowing better use to be made of the stakeholder information and views held on the system, the system is simpler to use and thus can be used by a wider range of colleagues, supporting the embedding of stakeholder engagement within SSEPD’s way of doing business.

Strategy Point 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 plan and processes; and their interest in helping us shape it.

Improving categorisation

This year we have reviewed our stakeholder categorisation as we develop Vuelio, our new stakeholder engagement database. Vuelio has the advantage of allowing stakeholders to be identified as having several interests and can be easily updated to reflect the dynamic nature of an individual’s interests. It also allows us to communicate with stakeholders in a more targeted manner.

Engaging with the right people

When we embark on an engagement initiative we will typically begin by considering which stakeholders might be interested in the initiative, or its subject matter, and develop a stakeholder matrix based on the levels of interest and the amount of influence the stakeholder or stakeholder group may have.

By doing this we can ensure that we engage in the most appropriate way with each stakeholder group. We are conscious that as engagement progresses, stakeholders may move between two or more groups and we will review the stakeholder matrix as appropriate to reflect that.

Applying our strategy

When considering our engagement in relation to the potential development of a new Transmission connection to Scotland’s Western Isles our stakeholder mapping exercise resulted in this map:

Example: Western Isles Transmission Link Stakeholder Mapping

### A. Low Influence/Low Interest

**Energy suppliers, innovation community, NGOs**

These stakeholders are affected by our business plan. We will keep these stakeholders informed. If the context changes, and they become more interested, they could move to Quadrant B.

### B. Low Influence/High Interest

**Energy Networks Strategy Group, consumer groups, media, trade unions and trade bodies**

These stakeholders are very interested in what we are doing. We will keep these stakeholders informed and start building relationships with them now. If the context changes, this group could move to Quadrant D.

### C. High Influence/Low Interest

**None**

These stakeholders may be temporarily less interested in our service (e.g. due to workload or other more pressing responsibilities). We will keep these stakeholders informed. If the context changes, and they become more interested, they could move to Quadrant D.

### D. High Influence/High Interest

**Statutory Authorities, Ofgem, Local Authorities, elected representatives, communities, UK and Scottish Governments, supply chain, land owners, developers, EU Commission**

These stakeholders are the key players. We will actively seek to engage them.
Our Stakeholder Engagement Strategy continued

Strategy point 3: Actively engaging our stakeholders

We offer a range of ways to engage with us which may include: interviewer administered surveys; written consultation documents; focus groups; deliberative events; on-line surveys; structured interviews with stakeholders; stakeholder meetings, events, fora and workshops; and customer voice groups.

With our stakeholders in mind, we will continually monitor and evaluate our mechanisms of engagement to ensure they sustain constructive engagement.

Applying our strategy: how we have engaged in a range of ways

<table>
<thead>
<tr>
<th>Engagement method</th>
<th>Example of initiative</th>
<th>Why the method was appropriate</th>
<th>Examples of stakeholders engaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting</td>
<td>Programme of meetings to progress proposals for a Transmission link to the Western Isles</td>
<td>Maintains a regular source of contact to keep the Western Isles transmission link on the political agenda</td>
<td>Department of Energy and Climate Change; Scottish and UK Governments</td>
</tr>
<tr>
<td>Forum</td>
<td>Transmission Owner Best Practice Working Group</td>
<td>Regular face-to-face meetings to identify opportunities for collaboration</td>
<td>GB Transmission Owners</td>
</tr>
<tr>
<td>Facilitated event</td>
<td>Local Forums to seek stakeholder views on the visual impact of our assets near National Parks and National Scenic Areas and possible options to mitigate these</td>
<td>Effective at gathering a range of views in an accessible place for our stakeholders</td>
<td>SNH; Historic Environment Scotland; Forestry Commission Scotland; SP Energy Networks;</td>
</tr>
<tr>
<td>Publication/Communication</td>
<td>OpenLines newsletter</td>
<td>Quarterly newsletter sent directly to stakeholders via email and published on our website</td>
<td>Landowners; innovation community; elected representatives; supply chain</td>
</tr>
<tr>
<td>Social media</td>
<td>Promoting consultations, such as our Beauly, Blackhillock, Kintore project</td>
<td>Potential to reach a large audience</td>
<td>Communities; supply chain</td>
</tr>
<tr>
<td>Survey</td>
<td>Tablet survey of generation developers</td>
<td>Our stakeholders have told us that tablet surveys are an effective and enjoyable method for gathering feedback</td>
<td>Developers</td>
</tr>
<tr>
<td>Traditional media</td>
<td>Project update press releases to inform our construction milestones and any activity which may cause disruption to local communities</td>
<td>Distributes information to a large number of people in a targeted area</td>
<td>Local communities; media</td>
</tr>
<tr>
<td>Site visit</td>
<td>Invite or host selected stakeholders at our offices or construction sites</td>
<td>Increases knowledge and understanding of how our business operates</td>
<td>Elected representatives</td>
</tr>
<tr>
<td>Conference/exhibition/event</td>
<td>National Grid Electricity Transmission Customer Seminars</td>
<td>To engage with a range of industry participants in a time-efficient way</td>
<td>Developers; industry colleagues</td>
</tr>
</tbody>
</table>
Our Stakeholder Engagement Strategy continued

Strategy point 4: Informing our stakeholders

We will produce and regularly update our stakeholder engagement and communication plan which will provide stakeholders with enough information, and in a format they want, to enable them to participate in key debates.

In 2015/16 our engagement activities were promoted through a range of targeted communication routes, including through our new stakeholder newsletter, targeted email campaigns, our online engagement calendar and via social media.

In moving to a common Stakeholder Engagement Strategy for our Distribution and Transmission businesses, the Transmission business has now made a commitment to produce a public stakeholder engagement plan. For 2016/17 and beyond we will publish a consolidated stakeholder engagement plan to allow stakeholders an overview of our engagement activity and to help them identify activities in which they would like to become involved.

Applying our strategy

Supporting community input to investment project proposals

As we invest in new and existing transmission infrastructure over the RIIO-T1 Price Control period, it is vital that we engage effectively with the communities which will host the new lines, substations and other equipment. We know that many people in communities, and other stakeholders, will have views on our proposals and want to have their concerns or suggestions considered. In addition to local advertising which helps us engage with harder-to-reach groups, we hold comprehensive consultation information on our dedicated project web pages to enable stakeholders to participate in key debates.

An example of a SHE Transmission project web page, this one relating to proposals for reinforcing the transmission network in a rural area:

https://www.ssepd.co.uk/BlackhillockKintorereinforcement/

Key project documents clearly set out the engagement process and keep stakeholders updated, as demonstrated in this publication relating to proposals for a High Voltage Direct Current (HVDC) switching station which would allow the flow of power to be switched between different HVDC circuits.

https://www.ssepd.co.uk/WorkArea/DownloadAsset.aspx?id=7686

Strategy point 5: Listening and responding to stakeholders

We will 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 both to improve our internal processes and how it has informed our business plan.

Our Principles of Written Consultation, which were originally reviewed and approved by the SSEPD Board for use in relation to our Transmission consultations, are now applicable across our Networks business.

In summary, our Principles of Written Consultation commit us to:

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

The application of our Principles of Written Consultation is helping to ensure that our engagement is open and accessible and that stakeholders can be confident that their views are properly considered.

Example of consultation:

Beauly – Blackhillock and Blackhillock – Kintore reinforcement projects

https://www.ssepd.co.uk/BeaulyBlackhillockKintore/

Example of stakeholder feedback document:

Stronelairg Wind Farm Connection Project

https://www.ssepd.co.uk/Stronelairgwindfarmconnection/
Continually improving our approach to engagement

Our Stakeholder Engagement Strategy continued

**Strategy point 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.

One of our six principles of Written Consultation, listed on page 5, is ‘Making our consultations easy to understand’. This 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 are
- 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.

**Award-winning communication**

In autumn 2014, we conducted our annual stakeholder satisfaction survey*. Whilst 90% of SHE Transmission stakeholders were satisfied or very satisfied with how we currently handle communication, stakeholders said that ‘more contact’ and ‘more communication’ were the two main areas where SHE Transmission could improve as a business. 96% supported the idea of a newsletter.

In response to this feedback, in September 2015 we launched ‘OpenLines’.

As the name suggests, we wanted to create an inclusive community through a regular channel of communication, where people are able to easily share ideas and knowledge, in turn helping to improve collaboration and shared learning across the transmission industry.

In particular, we wanted OpenLines to:

- increase stakeholder confidence in our commitment to change the way we operate in line with our stakeholders’ expectations
- provide more regular and relevant information on SHE Transmission and wider issues affecting the sector and improve knowledge and understanding of the challenges facing the industry and background as to why certain decisions are made
- ensure stakeholders have an easy avenue to get in touch and let us know how we are performing
- provide a more personalised approach to communication as opposed to a more corporate voice
- ensure hard-to-reach stakeholders are kept informed of our activities

Included in OpenLines is an integrated survey to allow stakeholders to easily give their views on the publication. Our launch edition in September received the following scores:

<table>
<thead>
<tr>
<th>Question</th>
<th>Stakeholder score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Was the information provided in this newsletter useful and relevant to your interests?</td>
<td>86%</td>
</tr>
<tr>
<td>Please rate the overall look and feel of the newsletter.</td>
<td>90%</td>
</tr>
<tr>
<td>How easy was it to find your way through the different sections?</td>
<td>82%</td>
</tr>
<tr>
<td>Please rate the quality and usefulness of our videos.</td>
<td>72%</td>
</tr>
<tr>
<td>Overall, how would you score this newsletter?</td>
<td>86%</td>
</tr>
</tbody>
</table>

In response to this feedback, we worked to improve the quality of video in Issue 2 of OpenLines. We hope to see an improvement in that score in feedback received on the recently launched second issue.

**Institute of Internal Communication Scotland: Best e-zine**

In March 2016 we were delighted to hear that OpenLines was the winner of its category (‘Best E-Zine’) in the annual Scottish Institute of Internal Communication Scotland Awards. We were particularly pleased to receive this award as it specifically recognises the appropriateness of the balance between style and content; the quality of writing, imagery and design; and, most importantly how effectively OpenLines meets the needs of the audience.

* Part of the Stakeholder Satisfaction Incentive
Continually improving our approach to engagement

Evolving our Process

In the first few years of establishing stakeholder engagement as a key part of our decision-making process, we introduced a process aimed at promoting the value of engagement throughout our business. A feature of that process was the setting of an internal target to present a certain number of stakeholder-influenced change proposals to the SSEPD Board each year – this was our Key Performance Indicator. This helped establish stakeholder engagement as an integral part of how we do business and raised the profile of that approach amongst SSEPD’s highest level of management.

Whilst this approach had the benefit of increasing awareness and appreciation of stakeholder engagement, its success was tempered by the fact that many of the initiatives presented to the Board were of relatively low value, far below the level that would otherwise have merited a Board decision. This was in danger of devaluing stakeholder engagement.

In 2014/15 we moved to a new way of structuring stakeholder engagement – our three level ‘Strategic-Organisational-Operational’ approach – which involves our most senior managers, including the SSEPD Board, in a more meaningful way with stakeholder engagement. Analysis of our activity at each level of engagement has led us to commit to some very significant changes to the way in which we work with our stakeholders.

Committing to a Stakeholder Advisory Panel

A revolutionary change to the way we engage with our stakeholders was approved by the SSEPD Board in April 2016. We will in 2016/17 establish an Advisory Panel, the role of which will be to:

- Review SSEPD’s annual plans for delivery in relation to publicly stated business plan commitments.
- Monitor performance in relation to the business plan commitments by reviewing half year performance statements
- Review end of year performance in relation to the business plan commitments
- Provide an annual report to the SSEPD Board setting out the Stakeholder Advisory Panel’s views on how effectively SSEPD has delivered on its business plan commitments each year

Increasing diversity on the SSEPD Board

The SSEPD Board comprises of people with very similar business and life experience, with engineering and financial backgrounds being dominant. We want our top-level decision makers to be more representative of the communities we serve and we have now committed to making changes to the Board so that there is greater representation of stakeholder views. The intention of the change is to help ensure we deliver a consumer focused, socially responsible and sustainable energy service. In addition to our existing non-executive directors, we aim to make a new appointment to the SSEPD Board in 2016 to achieve that.

Committing to class-leading reporting

We have committed to reporting on delivery of our RIIO-T1 Business Plan in line with reporting recommendations set out in Citizens Advice’s ‘Beginning to see the Light’ Report. The reports will be:

- Non-whitewash: we’ll report both the good and the bad
- Findable: the reports will be easy to locate
- Simple: we’ll use easy to understand language and keep things concise
- Comparable: we’ll work with other DNOs and TOs to help stakeholders compare performance
- Timely: we’ll report frequently and without unnecessary delay

Transmission Owners working together (Appendix 1)

The Transmission Owner Best Practice Working Group was established in August 2015 to improve the overall level of service provided to customers and stakeholders, and to share learning across the transmission industry in Great Britain. To enable an effective and constructive discussion on outcomes from surveys and other engagement activities, the group, consisting of SHE Transmission, National Grid Electricity Transmission and SP Energy Networks, has been aiming to meet on a monthly basis.

Key issues for joint working have been identified and progressed over time, aimed at addressing concerns or issues raised by customers/stakeholders, or sharing knowledge and learning that can be used across the industry for the benefit of our respective stakeholders. Activities and outcomes are summarised here and described in more details in the TO/SO Joint Appendix:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Summary</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving the Customer Connection Experience</td>
<td>Working to improve the customer experience of the transmission connection process</td>
<td>The teams have adapted the approach to providing information to connecting parties</td>
</tr>
<tr>
<td>Improving access for local suppliers</td>
<td>Sharing best practice on ensuring smaller and local businesses have equal access to business opportunities</td>
<td>National Grid Electricity Transmission considering a pilot project to assess a similar system</td>
</tr>
<tr>
<td>Coordinating communications</td>
<td>How best to coordinate stakeholder communications on matters of common interest</td>
<td>Links established between TO and SO communications teams to minimise clashes and maximise the opportunities for stakeholders to get involved.</td>
</tr>
<tr>
<td>Maximising effectiveness of stakeholder surveys</td>
<td>Ensuring that annual stakeholder satisfaction surveys are undertaken in a coordinated manner</td>
<td>Each TO’s annual stakeholder survey references the others’. Plans in place for additional common questions in future years to improve usefulness of survey data.</td>
</tr>
</tbody>
</table>

Giving back to stakeholders

We believe that the value of stakeholder engagement extends far beyond the rewards available from the Stakeholder Engagement Reward. We also know that investing directly in the communities we serve – beyond our commitments to invest in our networks – is hugely beneficial both for the people we serve and for our organisation, not least in relation to building trust.

Considering these matters, we have decided to donate a third of our income from the Distribution and Transmission Stakeholder Incentives to our communities, through our existing and well-respected Community Resilience Funds. The funds (there is one for each of our two Distribution areas) support communities to prepare for emergency weather events and are particularly focused on projects which help vulnerable or isolated people living in the SSEPD area.

The third of our income from our Transmission Stakeholder Engagement Reward will be donated to the fund that supports our North of Scotland customers.

Improving access for local suppliers

Improving access for local suppliers:

- Share best practice on ensuring smaller and local businesses have equal access to business opportunities
- Establish links with TO and SO communications teams to minimise clashes and maximise the opportunities for stakeholders to get involved.
Continually improving our approach to engagement continued

New reporting lines

As part of the organisational change being implemented in SSEPD, a new Directorate has been created. Headed by Lisa Doogan, the new Customer Relationship Management Directorate, of which the Stakeholder Engagement Team is a member, works to ensure that the way SSEPD does business is focused on the needs of our stakeholders, including customers, with a particular focus on supporting vulnerable consumers.

Lisa Doogan reports into the Managing Director of Networks, Colin Nicol, reflecting the increasingly integrated nature of SSEPD’s Networks Business.

Consistency and difference

The change of structure described above is facilitating the coordination of stakeholder engagement activity between our Transmission and Distribution businesses; this is reflected in the increasing consistency in certain key matters such as our Stakeholder Engagement Strategy, which is now common to both Transmission and Distribution.

However, we are conscious that there is no ‘one size fits all’ approach to engagement and whilst some key policies and guidelines are the same for both Transmission and Distribution, our approach to engagement is different in each business where that is appropriate.

Whilst we work within a similar engagement framework shaped around three levels of engagement – strategic, organisational and operational – the mechanisms through which we engage with stakeholders are tailored to the different needs of Distribution and Transmission stakeholders.

As shown in the table (above) engagement occurs at all levels of our business and involves stakeholders in decisions from the highest level through to matters which have a very localised impact.

<table>
<thead>
<tr>
<th>Level of engagement</th>
<th>Our means of engagement</th>
<th>Status</th>
<th>Delivered by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>SSEPD Stakeholder Advisory Panel</td>
<td>Due in 2016</td>
<td>SSEPD Board Stakeholder Engagement Team</td>
</tr>
<tr>
<td></td>
<td>Bilateral and multilateral activities • engagement with Scottish and UK governments and with the European parliament, and on issues involving high level multi-organisation groups</td>
<td>Ongoing</td>
<td>Networks Leadership team members</td>
</tr>
<tr>
<td>Organisational</td>
<td>Special interest and issue-based groups, including our Regional Statutory Consultee Liaison meetings</td>
<td>Ongoing</td>
<td>Subject matter experts Stakeholder Engagement Team</td>
</tr>
<tr>
<td>Operational</td>
<td>Local liaison groups associated with our investment programme</td>
<td>Ongoing</td>
<td>project teams Community liaison teams (with support from the Stakeholder Engagement Team)</td>
</tr>
</tbody>
</table>

Developing our stakeholder engagement team

Our stakeholder engagement team is now headed up by Jennifer McGregor, who, having previously led on Stakeholder Engagement for SHE Transmission, brings almost 20 years of industry experience to lead on engagement for both Distribution and Transmission.

Jennifer leads a team who work together to deliver effective engagement for SSEPD’s Transmission and Distribution businesses.

New to the team are a communications and public affairs specialist who focuses on ensuring that stakeholder publications are in line with best practice and will lead on key Transmission activities; and a co-ordinator who provides support to all team members.

Almost 90% of colleagues took part in our ‘Winning Service’ training programme which comprised four elements:

- Helping colleagues to understand the concept of stakeholder service and its importance for SHE Transmission
- Developing an appreciation of what good stakeholder service looks like for SHE Transmission
- Action planning to identify specific improvements that participants and their teams could implement to improve the service they provide
- Helping to identify over-arching service improvements that SHE Transmission as a whole can deliver

Examples of changes implemented in 2015/16 following the Winning Service training are:

1. Launched regular newsletters for innovation and Caithness-Moray project stakeholders, keeping them updated with key construction dates and new technologies
2. Established a new feedback system for developers based on their experience of the connections process, helping us to identify areas for improvement
3. Extensive engagement with contractors to improve on-site safety

Our People

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

Winning Service: Involving everyone in SHE Transmission

Whilst not everyone in SHE Transmission will be directly involved in stakeholder engagement, every member of staff has a role to play in making sure that stakeholders receive the very highest levels of service from the business.
Audit and accreditation

Compliance with Engagement Strategy independently confirmed

In April 2016, 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 (revised).

The Terms of Reference, agreed by Ofgem, 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 2015/16.

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.”

If you would like to see SHE Transmission’s statement of compliance, please visit:
https://www.ssepd.co.uk/WorkArea/DownloadAsset.aspx?id=7895

If you would like to see the independent assurance statement, please visit:
https://www.ssepd.co.uk/WorkArea/DownloadAsset.aspx?id=7914

ISO 9001


A successful management system certification audit was carried out by an external accreditation organisation, SGS, to ensure that the stakeholder engagement processes for our Transmission business is compliant 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
• Organisation has effectively implemented the planned management system
• 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 concluded that “the organisation has established and maintained its management system in line with the requirements of the ISO 9001:2008 Standard and demonstrated the ability of the system to systematically achieve agreed requirements for products or services within the scope and the organisation’s policy and objectives.”

One observation was recorded, which related to the need to ensure that due dates relating to actions in relation to stakeholder activities are kept up to date. We have made a change to our process to make sure this happens.

AA1000: The next step

Aiming for compliance with AA1000

We have decided to work towards compliance with the AA1000 Stakeholder Engagement Standard (AA1000SES) which is a framework for assessing, designing, implementing and communicating stakeholder engagement.

Attaining this Standard will help us to demonstrate that our stakeholder engagement activities are carried out to the highest standards:

• Engaging with stakeholders to understand their expectations about governance, policies, strategies, practices and performance;
• Transparently accounting to stakeholders on performance and on the issues that matter to them; and
• Developing innovative and sustainable responses to issues that matter, presently and in the future

In order to implement the AA1000 Standard and to ensure continued compliance with the range of regulatory and legal requirements relating to our stakeholder engagement activities, including Data Protection responsibilities and Ofgem Data Assurance Guidance, we are working to recruit a dedicated Stakeholder Engagement Quality Manager in 2016/17. The Quality Manager will work with colleagues in the stakeholder engagement team to make sure that the relevant systems, processes and procedures are in place and that the team work in line with the relevant standards.

Disclaimer: SHE Transmission is subject to a regulatory incentive which provides for a financial reward for complying with or exceeding compliance with its Stakeholder Engagement Strategy, and a financial penalty for failure to comply. The External Assurance noted above is the basis of our reporting in relation to that incentive. To minimise the costs associated with independent evaluation, rather than commissioning additional similar work, we present the findings of the external assurance activity here as evidence to support our assertion that we have met the minimum requirements of the Transmission Stakeholder Engagement Reward incentive.
Delivering positive outcomes for stakeholders

In order that we make the right decisions about how we invest and the changes we implement, it is important that we have a clear understanding of the outcomes the initiative will deliver for our stakeholders, and for our own business.

We define a Beyond Business as Usual initiative as being outside of our core regulated activities.

Our stakeholder engagement submissions include initiatives that are considered as going beyond what we are expected to deliver as part of our licence.

Last year we asked a professional services firm to help us develop a mechanism to assess the benefits of potential changes inspired by our engagement with stakeholders.

However we did not feel the mechanism it developed was an effective way of assessing value and we chose not to pursue it. Instead we have learned from industry colleagues SGN, a fellow member of the SSE Group and we are now moving towards adopting its assessment methodology for use in qualitatively assessing the value of SHE Transmission engagement activity.

The preceding pages of this document set out the ways in which we have brought the views of stakeholders into our decision making.

### Summary of key engagement activities

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Summary</th>
<th>Stakeholders involved</th>
<th>Key outcomes and benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scottish Islands Renewable Delivery Forum</td>
<td>To support the development of renewable energy on Scottish islands, we’re working with stakeholders to quantify the economic opportunities available</td>
<td>Scottish and UK Governments, Local Authorities, Ofgem, National Grid Electricity Transmission Developers</td>
<td>• Providing key decision makers in Government with valuable economic information which can be factored into decisions about the provision of subsidies to support the development of renewable generation on Scotland’s Western and Northern Isles</td>
</tr>
<tr>
<td>Measuring economic, social and environmental impacts</td>
<td>Informed by stakeholders, our Sustainable Commercial Model helps quantify the value of the social, environmental and wider economic impacts of transmission line developments</td>
<td>Academia, Government, Accounting organisations</td>
<td>• Public money is spent on the areas which matter most to communities and the environment • Investment is based on societal and environmental benefits, as well as financial</td>
</tr>
<tr>
<td>Land Rights Assembly</td>
<td>We’ve worked with the landowning industry to agree new guidance for fair and balanced landowner compensation payments</td>
<td>Scottish Electricity Wayleaves Forum, National Farmers Union – Scotland, Scottish Land &amp; Estates</td>
<td>• Ensuring good coverage of land rights across the network • Better compliance with compensation regulations • Reduced annual wayleave payments</td>
</tr>
<tr>
<td>Outreach for engagement on safety</td>
<td>Extensive engagement with our Principal Contractors is evolving our approach to safety</td>
<td>Principal contractors (ABB, Balfour Beatty, DFL, Graham Construction)</td>
<td>• Reduction in the Total Recorded Injury Rate of our contractors</td>
</tr>
<tr>
<td>Contractor Safety Forums</td>
<td>Our quarterly contractor safety forums are supporting our number one priority – keeping colleagues and contractors safe</td>
<td>Supply chain</td>
<td>• Improved understanding of and adherence to our safety culture • Reduction in the Total Recorded Injury Rate of our contractors</td>
</tr>
<tr>
<td>Working together for improvement</td>
<td>Engaging regularly with the other Transmission Owners is helping to identify common issues affecting our stakeholders and how we can address them in a coordinated way</td>
<td>Transmission Owners</td>
<td>• Sharing best practice on ensuring smaller and local businesses have equal access to business opportunities • Links established between TO and SO communications teams to minimise clashes and maximise the opportunities for stakeholders to get involved • Plans in place to include common questions in each TO’s annual stakeholder surveys to improve usefulness of survey data • Providing more information to connection customers at regular events</td>
</tr>
</tbody>
</table>
Transmission Owner/System Operator
Best Practice Working Group
Transmission Owner / System Operator Best Practice Working Group

The first meeting of the Transmission Owner Best Practice Working Group took place in August 2015. The Group exists to ensure that the UK’s Transmission Owners and the System Operator work together effectively to ensure that engagement across the industry is of the highest standard.

Within the Group, specific Task Groups will be set up as required to cover particular topics; the task groups will run until defined outcomes are completed. In addition to Task Groups, the Working Group considers aspects of engagement where working together will lead to benefits for stakeholders. This includes sharing good engagement practice. Key topics covered this year include

Co-ordination of communication and event diaries
The group brought together communications colleagues from each organisation to discuss how best to coordinate stakeholder communications on matters of common interest.

**Outcome**
Links have been established between the communications teams of the Transmission Owners to ensure that where appropriate a coordinated approach is taken to promoting activities and releasing news. This extends to sharing plans for key engagement activities to minimise clashes and maximise the opportunities for stakeholders to get involved.

Maximising Effectiveness of Input Received from Annual Stakeholder Surveys
Through detailed discussion on approach to surveying and questioning each of the TOs has identified ways that they make better use of stakeholder surveying.

**Outcome**
Changes that this has resulted in include joint surveying (SP Energy Networks and National Grid on Western Link), sharing of survey results (National Grid sharing with SP Energy Networks and SHE Transmission on outage management) and improved structure of survey (SP Energy Networks). In 2016/17 this work will continue with all companies considering optimal timing for surveys and most appropriate methods to gather information from different stakeholder groups.

Improving the Customer Connection Experience
The first Task Group established focuses on providing a better experience for customers applying to connect to the transmission network.

**Outcome**
The teams have adapted the approach to providing information to connecting parties at regular events. Quarterly reports are now published on TO websites to provide information on network reinforcements.

Improving access for local suppliers to bid for transmission works
Subject matter experts from Scottish Hydro Electric Transmission shared their approach to developing sustainable supply chain, known as ‘Open4Business’. Open4Business is an ongoing initiative which provides an online portal to allow smaller and local businesses more equal access to work opportunities. Large contracts awarded by SHE transmission, such as for its major infrastructure projects, require the main contractor to post all subcontracting opportunities, from civil engineering works to security and catering requirements on the portal.

**Outcome**
Having understood the benefits of Open4Business through involvement in the Best Practice Working Group National Grid is now considering a pilot project to assess a similar system to provide more equitable access to its contract opportunities.