



The Stakeholder Challenge

2018/19 Annual Report from the
Stakeholder Advisory Panel

About Scottish and Southern Electricity Networks

Scottish and Southern Electricity Networks forms part of the FTSE-50 energy company, SSE. It is responsible for maintaining the electricity networks supplying over 3.8 million homes and businesses across central southern England and north of the Central Belt of Scotland. It owns one electricity transmission network and two electricity distribution networks, comprising 106,000 substations and 134,000 km of overhead lines and underground cables across one third of the UK.

About the Stakeholder Advisory Panel

In recognition of the strategic significance of developing an electricity network business with the public interest at its heart, SSEN's Stakeholder Advisor Panel (The Panel) was established in early 2017. The Panel provides challenge on a wide range of topics including the effectiveness of SSEN's approach to meeting the commitments set out in the Electricity Distribution and Electricity Transmission business plans ('RIIO ED1' and 'RIIO T1') and the development of future plans under RIIO 2. The panel challenges SSEN on business strategy helping to ensure the voices of stakeholders and consumers are heard and acted upon.

Purpose of this report

This is the second annual report since the Panel was created and its purpose is twofold:

- First, to provide a summary to SSEN's business leaders of the issues considered and the advice given, which in turn helps to support further scrutiny and accountability; and,
- Secondly to be open about the deliberations of the Panel, for the benefit of SSEN's customers and stakeholders and outline the pertinent issues and decisions taken in 2018/19.

The panel consists of an independent Chairperson, five panel members and a non-executive member of SSEPD board. Details of the current membership is outlined at the end of this document. The secretariat function is provided by SSEN.

Contents

02	Chair's foreword
04	How the Panel works
06	SSEN
08	Transmission
11	Distribution
14	Looking to the future
16	Panel members and biographies



Foreword

By Mike Petter, Chair

Welcome to this, the second annual report from SSEN's Stakeholder Advisory Panel. 2018/19 was a fascinating year to be up close to the electricity utility industry and as a Panel we are watching first-hand how the business leaders are grappling with the fundamental trends and challenges the sector faces.

The work of the Panel this year has been interesting, useful and – most of all – instructive. We believe we have supported the improvement in SSEN's understanding of the stakeholder – or public – interest, and importantly, how to better engage with them. I believe we have aided the enhanced style of communications and publications with stakeholders.

I took the chair of the Panel mid-way through the year, and it is striking at the way in which the stakeholder's interest is becoming so core to the way in which business plans are created. Ofgem's new enhanced engagement under their price control regime 'RIIO2' is very welcome and, as a Panel, we have supported the establishment of the new RIIO T2 User Group, which will scrutinise the business plan for SSEN's transmission business.

This trend for increased emphasis on the stakeholder's interest is not just confined to the utility sector but is a welcome mega trend across business more generally. This is perhaps, a recognition that meeting the public interest is now regarded as more than 'just' providing a reliable electricity service and keeping costs down for customers. Other things matter to the

public interest too. That good jobs and careers are created, often in the parts of the country that need it the most and taxes are paid. That work is done to support improved inclusion and diversity in the labour market. And most of all, that electricity networks drive the transition to a low carbon economy. These elements are all in the public interest.

It is this balance of factors that provides the basis for the deliberations of the panel. For example, the transition to what is called the 'distribution system operator', which is basically a smart way of saying electricity networks must be super-flexible to enable the change to electric transport and more locally generated electricity. There is – potentially – the opportunity for social injustices to be created in this fundamental shift. The Panel has been at pains to encourage SSEN to put the customer at the forefront of its thinking to avoid any unintended consequences that could easily be against the public interest.

Finally, as the relationship between the Panel and SSEN continues to mature, there must be further evolution in the subject matters discussed moving into a more strategic sphere including the socio-political factors affecting SSEN and industry change. We look forward to the next steps on the journey, not least seeing the Business Plan for electricity transmission come to fruition later this year and reaching the starting block on the new price control for distribution.

How the Panel works

Panel development in 2018/19

Now in its second year of term, the Panel agreed with a proposal by SSEN leadership in the summer 2018 that it was time to appoint an Independent Chair. This is a natural step in the maturity of stakeholder engagement although the preceding Chair remains a member of the Panel and provides a key link to the governance body of SSEN, the SSEPD Board.

In May 2018 an additional Panel member was recruited, with Doug McAdam being the successful candidate from an open selection process.

During 2018/19, formal links between the Panel and the newly created SSEN RIIO T2 User Group were established. This includes direct communication between the two Chairs and one member of the Panel also sitting on the RIIO T2 User Group enabling issues faced across the overall networks business to be shared across engagement methods where relevant.

A refreshed Terms of Reference was agreed by the Panel and the SSEPD Board in 2018/19, reflecting the enhanced independence of the Panel and an improved approach to agenda setting.

Furthermore, the Panel in its entirety meet the Board formally once a year, to present its Annual Report.

Panel business 2018/19

To ensure the members are kept abreast of business strategy and performance, the leadership team have presented a business update at every SAP meeting focussing on four key themes: Safety, People, Strategy and Delivery.

The Panel appreciate the level of support from the senior leadership team and understands without access to the most senior people, the impact and influence of the stakeholder voice would be much diminished. Colin Nicol, Managing Director of Scottish and Southern Electricity Networks was present at three out of four sessions in 18/19. Further



members of the leadership teams regularly attend too. In the strategic updates given through the year, the Panel noted that the changing business model of SSE plc, SSEN's parent company, will result in Networks becoming the most customer focused business area in SSE plc, heightening the key role of the Panel to the SSE Group.

In planning the agendas for each meeting, topics for discussion are identified at each meeting. These items are fed into the meeting schedule for the year, ensuring that the most salient issues are discussed. Each agenda is set by the Chair alongside the Secretariat.

Within the SSEN three-tier approach to stakeholder engagement (Strategic, Organisational and Operational) the Panel correlates to the strategic level of engagement. Whilst not directly involved in all engagement at an operational and organisational level, the panel are kept informed about these activities and outcomes.



Key Issues 2018/19

SSEN



SSEN's Stakeholder Engagement Strategy

The Panel advised SSEN on the development of its strategic approach to Stakeholder Engagement. The Panel reviewed the document, providing constructive feedback to ensure it was digestible, meaningful and impactful for stakeholders.

Although the approach to Stakeholder Engagement is an ongoing dialogue with the Panel performance is reported to Ofgem as part of its stakeholder engagement incentives, annually.

The Panel acknowledge that work had been undertaken to improve engagement across all engagement channels including face to face, telephony and digital over 2018/19.

The Panel recognise the importance of multi-channel engagement and endorse the increasing focus by SSEN on social media. The Panel recommend that SSEN takes a more scientific and analytical approach to these channels, to ensure the maximum engagement is achieved.

Overall, however, the Panel recommend a strategic approach to engagement which begins with a clarity of the difference of the engagement objective, whether that's to consult, interact or educate, recognising the distinction between each of those disciplines.

Furthermore, the Panel participated in the consultation to review the Transmission Business Stakeholder Satisfaction KPIs which, following full consultation will be proposed to Ofgem for approval. In addition to this, the Panel recommended that SSEN consider the creation of a Stakeholder Engagement Charter for the industry, which outlines the principles used for Stakeholder Engagement which network companies can be held accountable to.



Future energy systems

Throughout 2018/19, the Panel gave significant emphasis to considering the way in which SSEN is responding to the imperative to continue to decarbonise the GB electricity system. It is clear that the future energy transition will result in fundamental changes to the way SSEN operates. RIIO 2 and the transition to DSO has been a consistent discussion at panel meetings throughout the year.

In the medium term, electric vehicles certainly in large cities are expected to become common place. New technologies, along with changes in customers' requirements will require

increasing amounts of flexibility for local Grids to operate in real time in response to fluctuating local demand from domestic and commercial customers.

The panel believe that long term thinking is crucial and that SSEN must think creatively about how incentives are received and distributed to result in wider societal benefit, and not just a financial mechanism between DNOs and the regulator. It is important for SSEN to do the basics right, enhancing confidence with the public and therefore earn the right to earn more in the future.



Delivering in the public interest

Whilst SSEN meets the challenges of a transforming sector it is also facing a political debate about affordability and the role of the state in energy provision, giving a heightened imperative for SSEN to demonstrate the way in which privately owned utilities deliver in the public interest.

The Panel has played a role in informing

SSEN's approach to securing future legitimacy, advising SSEN to provide industry leadership, proactively bring about enhanced social and environmental impacts and evidence the way in which the public interest is met. The Panel has been firm in recommending to SSEN the important role it can play in leading the industry in this respect.

SSEN Transmission



Connecting with the end-user

The Panel is conscious that there is a challenge in connecting operators of electricity transmission networks with the end-user, not least for the fact that the direct connection to households and businesses is overwhelmingly through the electricity distribution network. Nevertheless, the end-user is a vital stakeholder for transmission networks and the Panel urge SSEN to think creatively about how this can be achieved. This works in two ways:

- 1) how to help the end consumer understand the value that is being delivered by the transmission component on their electricity bill; and
- 2) making sure the Transmission business is engaging, listening to and responding to the end consumer.



RIIO T1 performance

While it is apparent that SSEN Transmission is performing well against its existing plan, the Panel note that the first price control under the RIIO framework has delivered considerable growth in transmission infrastructure in the north of Scotland. The consequence of that growth has connected many hundreds of mega-watts of new renewable electricity over the period which, of course, was the purpose of that plan. The Panel also recognises the strategic infrastructure importance of the completion of the Caithness-Moray subsea cable link for many stakeholders including the Scottish Government, wind farm generators, end customers and in helping to meet UK climate change targets.

The Panel noted that managing construction risk has been a key priority for SSEN's transmission businesses, particularly on very large-scale projects. The Panel were concerned to highlight that not all risks may be with larger projects and to be mindful of smaller projects too, particularly social and environmental risks. The Panel advise SSEN to think broadly in terms of learning lessons and to review other sectors who manage similar sizes of project and learn from best practice.

There will be challenges ahead with future projects to secure island connections, focus on data and asset management and designate significant focus and resource towards the next business plan under RIIO2 given the compact timelines.

RIIO T2 User Group integration

Within the development of the RIIO 2 framework, Ofgem introduced an enhanced stakeholder engagement model which proposed the creation of a distinct stakeholder User Group for the RIIO T2 price control. As the Stakeholder Advisory Panel's tenure had reached one year when this was announced, best practice from this panel was applied to the set-up of the planning, recruitment and induction of the RIIO T2 User Group. In addition, the User Group Chairperson has attended the Stakeholder Advisory Panel to understand the objectives and nature of the topics discussed. This has been complemented by the recruitment of a serving Panel member to the RIIO T2 User Group providing further alignment. The Panel are providing comprehensive support to the RIIO T2 plan, dedicating an additional two days to review and challenge the business plan drafts before submission to the regulator.

RIIO T2: Future energy scenarios

In order to appropriately meet customers' future needs over the next decade and beyond, SSEN must understand which technologies are likely to impact generation and demand profiles. This

cannot be done in isolation but must take a view on the whole energy system. The Panel scrutinised the work undertaken to construct future energy scenarios for the north of Scotland. This work highlights several exceptional circumstances relating to the north of Scotland which are notably different to the scenarios mapped out at a GB level.

Three scenarios were presented to the Panel and discussed, these were 'Proactive Decarbonisation', 'Local Optimisation', and 'Cost Limitation', all of which were warmly welcomed. The Panel proposed that next stages of the work should include more carbon- ambitious scenarios in order to understand what needs to be done to achieve them.

An open consultation was conducted by the scenarios team, and while there was very high-quality engagement, the number of consultees was relatively small. The Panel expressed sympathy for 'consultation fatigue' for both the consulted and the consulting and recommend a blended approach to consultation including the use of focus groups and engaging with academia for future similar work.



Connecting the Scottish Islands

The Panel is struck by the ‘whole energy system’ issues that arise in the context of Scottish islands. It is recognised that the development of electricity connections from the islands to the mainland are of strategic significance, not just to the economic future of these communities, but to the delivery of lower cost renewable energy for the GB system. The

Panel have expressed a clear interest in delving more deeply into the challenges and opportunities faced from both an island and a GB consumer perspective in 2019/20. The Panel suspect that there may be lessons to learn from island examples, that may be particularly instructive as the electricity system shifts to one that is more focussed on whole energy system solutions.



SSEN Distribution



Consumer vulnerability strategy

The Panel, in addition to several external stakeholders, was asked to challenge SSENs proposed vulnerability strategy which outlines key areas of focus, initiatives and targets to enable SSEN to deliver a progressive, inclusive and accessible service for customers. The Panel challenged SSEN to provide more context to the strategy. Specifically, to be clearer about the targets: outlining the inputs required, the outputs that will result – and most importantly of all – to describe qualitatively, and quantitatively, if possible, what the outcomes will be for stakeholders. SSEN have responded and developed a narrative that sits alongside the publication online.

Further, the Panel recommend that SSEN work more closely with Local Authorities to understand the prevalence of vulnerable customers in their area and use this data to reconcile against current Priority Service Register (PSR) lists to gauge progress and establish targets. The Panel were clear to advise that, when it comes to the PSR, what matters is that the right people are on it, not just that more people go on it. Therefore, applying some analysis and reconciliation with public service understanding of need will go a long way to making sure the levels of need are fully understood. Targets for the size of the PSR should follow from that analysis.

SSEN have updated the datasets in their customer mapping tool which is used to understand the characteristics of the

communities they serve and provided demonstrations to Local Authorities including Perth and Kinross Council and Argyll and Bute. Overall, the Panel believes that SSEN have made good progress in 2018/19 in supporting vulnerable customers, moving beyond a ‘minimum standards’ approach to find bespoke ways to support the most vulnerable customers, based on need.

As part of the overall vulnerability strategy, SSEN aim to support customers through fuel poverty and energy efficiency initiatives. SSEN have implemented referral programmes to refer customers in fuel poverty for further support. Going forward, the Panel encourages SSEN to further review their commitments to support those in fuel poverty.



RIIO ED1 – Business plan progress and reporting

SSEN is meeting its business plan targets in Distribution, particularly in matters relating to People and Safety. The Panel challenged SSEN to ensure there is not a performance differential between its two distribution areas in Scotland and the south of England and noted some

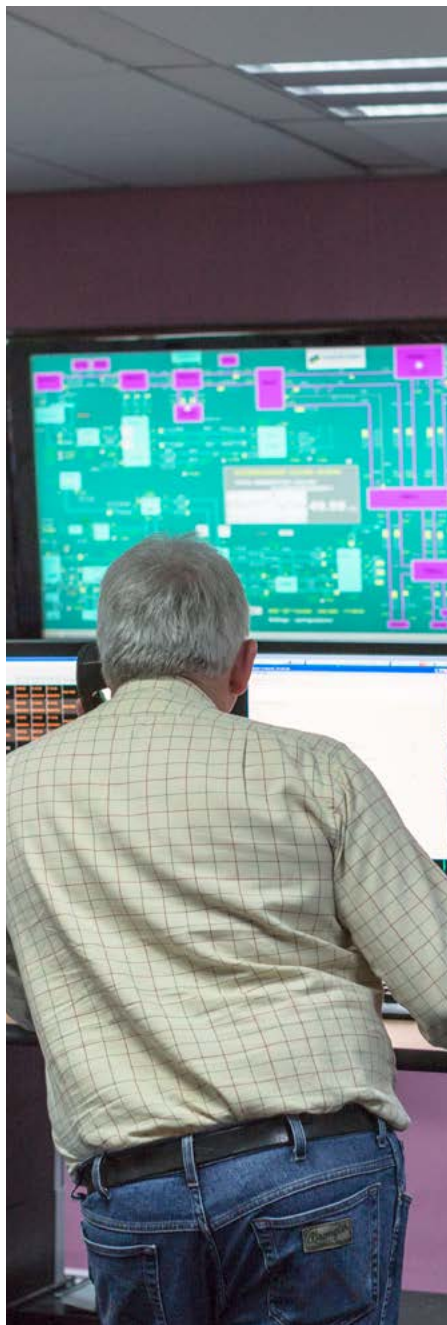
progress to balance the performance between licence areas.

Furthermore, the Panel has been involved in shaping the way the Annual Business Plan Commitment Report is presented and communicated to stakeholders. Overall the Panel commended the team on the improvements made to the report during 2018/19 but made several recommendations for future reports being made, including increased use of infographics and clarity regarding the progress made using markers and milestones. The Panel will continue to play a key role in shaping this and similar reports annually.

DSO – Distribution System Operator

The Panel has given the business a clear signal that it wishes to be kept very close to the development of SSEN’s work and thinking about the transition from DNO to DSO and urge SSEN to take a leadership position in this space. The Panel understand that the introduction of DSO will change relationships between all key parts of the system and to ensure that customers are able to engage in that system. The importance of ensuring no one is left behind has been emphasised on many occasions. It is noted that regulation may be required to ensure that consumer protection mechanisms are built in.

SSEN appears to have a leadership position within the DNOs relating to the initiation of high quality and relevant innovation projects. The Panel are concerned, however, to encourage SSEN to also have a leadership position in terms of implementing these innovations comprehensively and bringing them to business-as-usual more quickly.



Understanding regional differences in network licence areas

The panel have commented that the company is perceived differently by customers in each of the licence areas which the panel see as a major challenge for the company. This topic was discussed with SSEPD board. Since meeting the board, the panel have conducted an in-depth analysis of the performance with regards to customer service. It was noted that there has been a marked improvement with incentives ahead of target and a sharp increase in performance in both SEPD General Enquiries and Connections overall. The panel learned about how SSEN have been informed by additional customer insights and the strategies and business changes implemented that have improved performance. The panel advised SSEN to ensure they adapt to customer requirements unique to the licence areas, types of customers and regional differences.

Working with the RIIO ED2 Customer Engagement Group

Looking ahead to RIIO ED2 and building on the panel’s engagement with the

RIIO T2 User Group, the Panel has given early advice to SSEN on the approach to establishing a Customer Engagement Group (CEG).

The Panel recommend the new group must be weighted appropriately to represent the number of customer’s in the North and South licence areas. SSEN should ensure that those represented on the CEG are fully cited on the needs and preferences of consumers and to consider the need for one group per licence area to ensure that regional needs and preferences are represented. Taking learnings from the User Group in Transmission, the CEG should consist of members with core competencies required to ensure the meetings are focussed.

Building on the formal relationship between the Chairperson’s of the Advisory Panel and SSEN’s RIIO T2 User Group, SSEN should ensure there are formal links between the three groups through the Chairperson’s and members. The creation of the CEG is in early stages and the panel have asked to be kept informed.



Looking to the future

Stakeholder Advisory Panel focus for SSEN

Further to the feedback described in this paper, the Panel has proposed several additional focus areas for SSEN to progress in the coming year. These are:

- How SSEN shapes its business structure, organisation and processes as it transforms its distribution networks from simply being network operators to being more active system operators will become increasingly important.
- SSEN must engage with the public to inform them about what steps it is taking to make sure it is ready for the shift to a decarbonised, decentralised network. SSEN should provide industry leadership and proactively demonstrate how it brings enhanced social and environmental impacts therefore evidencing the way in which the public interest is met.
- SSEN should explore opportunities to engage at a more strategic level with regional and local planning authorities to bring about improved linkages with their economic development plans.
- Electric vehicles and increasing requirements for flexibility is a fundamental change in the way networks operate. SSEN must play an active role to balance the challenge of keeping costs down whilst ensuring that vulnerable consumers and the fuel poor are not left behind.
- SSEN has embraced a stakeholder-led inclusive process as part of its strategic approach and needs to continue to embed this approach as the business transitions from RII01 to RII02.
- SSEN must become bolder in its communications and explore partnerships with other organisation seeking to achieve similar objectives.
- SSEN should ensure that equal attention is paid to both licence areas to ensure that the social, economic and business differences are considered and solutions in place to ensure SSEN cater for customer requirements unique to the licence areas, types of customers and regional differences.

A full challenge log is collected with progress actively tracked by the secretariat.



Panel Biographies

Colin Nicol, Managing Director, Scottish and Southern Electricity Networks and Lisa Doogan, Head of Customer Service and Stakeholder Strategy attend the panel sessions as regular representatives of the SSEN leadership team.



Mike Petter, Chairperson

Mike, a Chartered Civil Engineer by profession, is a Director, and former Chair, of the Considerate Constructors Scheme and Managing Director of a construction management consultancy business. Mike is also a Board Member for The Guinness Partnership Ltd, a national housing association with over 66,000 properties. He is a non-executive Director at the House of Commons chairing a Construction Safety Assurance panel for Strategic Estates and is also a member of the Parliamentary Safety Assurance Board. Mike has held executive and non-executive board positions within construction and healthcare organisations.



Tamar Bourne, Panel Member

Tamar is a senior manager in Regen, a not for profit organisation which champions new ways of generating, supplying and using energy. Tamar leads Regen's work on smart grids and innovative local supply models and works closely with DNOs in developing and delivering innovative projects. Tamar also chaired the community subgroup of the government's Smart Grid Forum.



Ian Hoult, Panel Member

Ian is Head of Emergency Planning and Resilience for Hampshire County Council, a position he has held since 1999. Ian was Honorary General Secretary of the Emergency Planning Society for ten years and for 2 years was Chairman of that organisation. For the past 10 years Ian has been an Emergency Planning Advisor to the Local Government Association.



Verity Murrricane, Panel Member

Verity is the Founder and a Trustee of Eight Bells for Mental Health, a charity supporting mental health service users. Verity's experience includes non-executive roles with Sovereign Housing Association and Berkshire Healthcare Foundation Trust, and a member of Thames Valley Police complaints and integrity ethics panel. Verity herself has experienced life as a disabled consumer on a low income and brings to the Panel real life experience of the vulnerability such factors can cause.



Norman Kerr, Panel Member

As Director of Energy Action Scotland, Norrie works with several energy organisations to influence decisions such that they help tackle fuel poverty. Norrie was awarded an OBE in the Queen's Birthday Honors list 2016 for services to the Children's Hearing System in Scotland and for voluntary and charitable work in Glasgow.



Douglas McAdam, Panel Member

Doug has his own businesses in the consultancy and tourism sector and was previously CEO of Scottish Land & Estates for over ten years where he represented landowners and rural business across Scotland. Prior to that Doug worked in the commercial sector in UK utilities with Thames Water and internationally in the aviation sector with Cathay Pacific Airways.



Rachel McEwen, Panel Member (SSE)

Rachel is Chief Sustainability Officer for SSE. Rachel works with SSE's businesses to identify and articulate SSE's social, economic and environmental impacts. Areas of responsibility include SSE's corporate social responsibility programmes and stakeholder and media communications for its wholesale businesses. Rachel is also a Non-Executive Director of SSEPD.

Meeting Schedule	Mike Petter	Rachel McEwen	Ian Hoult	Verity Murrricane	Norman Kerr	Tamar Bourne	Douglas McAdam
15, 16 May	✓	✓		✓	✓		✓
29, 30 August	✓	✓	✓	✓	✓	In part	✓
25 Oct – SSEPD Board Presentation	✓	✓	✓	✓	✓	✓	✓
14, 15 November	✓	✓	✓	✓	✓	✓	✓
12, 13 February	✓	✓	✓	✓	✓	✓	✓

SSEN paid a total of £30,997 in fees, travel and expenses for the services of the Stakeholder Advisory Panel in 2018/19.

