

SHE Transmission Submission Document

Part 1: Overview of evidence

1

2014/15

Ofgem Stakeholder
Engagement
Incentive Scheme
2014/15

Placing stakeholders
at the centre of our
business

Evolving our engagement

I am pleased to present Scottish Hydro Electric Transmission's 2014/15 Submission in relation to Ofgem's Stakeholder Engagement Incentive Scheme.

2014/15 has seen us make a step-change in the way we engage with our stakeholders. We're engaging more effectively with the country's highest-level decision makers and, concurrently, with bill-payers and communities and that is delivering real and lasting benefits for our business, while improving the way we play our role in the UK electricity industry.

A three-level approach

The foundation of our improvement is that we now plan and undertake our engagement on three levels: Strategic, Organisational and Operational. That has helped us expand our engagement horizon such that we engage effectively at international level, with governments and industry, with national organisations, and with the communities and customers we serve.

Measuring value

Feedback from stakeholders shows we are delivering improvements. However finding a consistent way of measuring the value of change is no easy task. We have trialled a number of methods of measuring value this year. Whatever our ultimate solution to this challenge, it will be cost-effective.

Robust systems

I'm proud to say that our stakeholder engagement processes are compliant with the ISO 9001:2008 Quality Management System.

In 2014/15, we also commissioned an independent third party to assess whether we had complied with our engagement strategy; they confirmed that we had. (See page 10, Compliance with Engagement Strategy independently confirmed.)

I believe that these independent assessments of the way in which we manage our engagement activities give stakeholders confidence that we engage in a way that efficiently delivers benefits.

Delivering beneficial change

Whilst it is important that we have effective policies and procedures in place for stakeholder engagement, what really matters is what our engagement actually delivers for stakeholders. It's good to be able to report that with the help of our stakeholders, we have introduced a range of changes which are of great importance to local communities, to Scotland and to the international community.

The improvements we have delivered are covered in greater detail elsewhere in our submission documents, but I'd like to highlight some of our key achievements.

- Increasing stakeholder satisfaction from 6.5 out of 10 last year to 7.7 out of 10 this year
- Delivering real progress on island energy issues by originating the 'Building Certainty – The Enablers' project which involves the Scottish Government and other stakeholders
- Undertaking a programme of Stakeholder Service Training which reached almost 90% of staff and delivered significant attitudinal change and over 20 targeted action plans
- Beginning a trial of 3D visualisation technologies aimed at helping communities and planning decision makers to better understand the visual impact of our proposed infrastructure projects
- Undertaking a targeted media campaign, with our colleagues in Scottish Hydro Electric Power Distribution, to encourage landowners and their agents to report sighting of damage to our network quickly, to minimise power cuts and prevent people being hurt
- Committing to a stakeholder newsletter focused on providing practical information and industry updates to our stakeholders and facilitating feedback from them on key issues
- Publishing a plain English guide to Connections to help developers and other interested parties understand how this complex process works.

- Introducing a quicker way of paying compensation to customers affected by long power cuts caused by problems on our network
- Improving satisfaction levels amongst developers of generation by introducing a number of changes to the way we communicate during the connections process

Looking ahead

I think we've delivered good progress this year, both in the change we have delivered in our business, and in the way we structure our engagement plans. However, I'm clear that we have to keep getting better. In 2015/16 we will be further improving the way we structure our engagement, with a new focus on specific issues, on which effective engagement can, we believe, deliver significant benefits for both SHE Transmission and our stakeholders.



David Gardner
Director of Transmission



Key stakeholder engagement activities this year
Delivered more effective engagement at a strategic level
Achieved externally assured compliance with our Stakeholder Engagement Strategy and Implementation Plan
Stakeholder engagement processes confirmed as compliant with ISO9001 standards
Independent audit confirmed the overall control environment for our stakeholder engagement is effective
Reviewed and updated our database of stakeholders
Completed our third annual Stakeholder Survey
Delivered stakeholder service training to almost 90% of SHE Transmission Employees
Adopted over 20 targeted action plans for improving stakeholder service, informed by our stakeholder survey
Improved our presence at free-to-attend industry events by involving top level management
Published a plain English guide to transmission connections
Committed to a regular Stakeholder Newsletter

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Stakeholder Engagement: our robust approach

Our Stakeholder Engagement Policy (Appendix 1)

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Our Board-approved Stakeholder Engagement Policy (our Policy) has been developed in line with a long-standing set of values: Safety, Service, Efficiency, Sustainability, Excellence and Teamwork, which permeate all of SSE's work, from Board meetings to induction events. Our Policy sets out our high level objectives for stakeholder engagement and establishes the values and core principles that shape the design of our stakeholder 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. In our Policy, we commit to undertaking our engagement with stakeholders in a way that is in line with the values of our parent company, SSE plc.

Our Stakeholder Engagement Policy sets out the principles upon which our Stakeholder Engagement Strategy and Implementation Plan is built.

Our Stakeholder Engagement Strategy and Implementation Plan (Appendix 2)

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Our review of our 2013/14 Stakeholder Engagement Strategy and Implementation Plan identified the need to ensure that we plan for engagement with a wider range of stakeholders, with a particular need to work with the highest level of decision-makers and influencers on issues that are of national and in some cases international importance.

Our Stakeholder Engagement Strategy and Implementation Plan for 2014/15 reflects our commitment to engaging at the highest levels on the biggest strategic issues facing our organisation. It also aims to ensure we engage effectively with organisational stakeholders, such as our fellow energy industry participants, and national and regional contacts, and that we work with local stakeholders on issues specific to their concerns.

Minimum Requirements Key

Ofgem identified four Minimum Requirements which our activities are measured against using the following key:

Comprehensive strategy Informing stakeholders Enabling timely feedback

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The network company has a comprehensive and up-to-date stakeholder engagement strategy, which sets out:

- how the network company keeps stakeholders informed about relevant issues, business activities, decision-making and other developments, and
- how the network company enables timely input and feedback from stakeholders via appropriate mechanisms to inform decision-making.

Broad engagement

B

A broad and inclusive range of stakeholders has been engaged.

Variety of mechanism

C

The network company has used a variety of appropriate mechanisms to inform and engage its stakeholders – these have been tailored to meet the needs of various stakeholder groups, and are fit-for-purpose in allowing a detailed analysis of a breadth of stakeholder perspectives.

Acting on input

D

The network company can demonstrate it is acting on input/feedback from stakeholders.

Engaging on multiple levels

By categorising our engagement as either Strategic, Organisational and Operational, we can 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.

Strategic Engagement

SHE Transmission is one of three licensed Transmission Owners in Great Britain, and this role involves operating as a monopoly providing essential infrastructure in the north of Scotland. In order that we play our part in the energy industry effectively it is important that we actively engage on a number of issues of national and international importance. Our Strategic engagement concentrates on engagement with Scottish and UK governments and with the European parliament, and on issues involving multiple international organisations. Outcomes of our strategic engagement are typically effected via changes to primary or secondary legislation or via licence changes.

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 work with local communities on a particular issues, perhaps around access to construction sites, or establishing certain safety practices on a specific job.

Our Engagement Values

Safety

We will undertake our engagement with stakeholders safely and responsibly.

Service

We will engage with our stakeholders in a way that we are proud of and make commitments we can deliver.

Efficiency

We will keep our engagement activities simple, do the work that adds value and avoid wasting money, materials, energy or time.

Sustainability

We will undertake our engagement activities ethically and transparently and in changing our business in response to stakeholder views, we will take the long-term view to achieve growth while safeguarding the environment.

Excellence

We will strive to ensure that our engagement gets better, smarter and more innovative.

Teamwork

We support and value our stakeholders and will work with them in an open and honest way; this will include actively involving our stakeholders in designing the engagement process.

Identifying and understanding our stakeholders

1. Identifying our stakeholders

A B

We maintain a list of stakeholders who we believe can add particular insight into our business. We have in place a Stakeholder Engagement Database, a contact and record management system to enable us to actively manage engagement across the business.

This is managed in accordance with our Data Protection Standard. This year, we undertook a full review of our stakeholder contacts. This involved key members of SHE Transmission staff who have an engagement remit (our Stakeholder Relationship Managers) reviewing

all stakeholders in their area of activity, adding new contact details to expand our database, and where appropriate removing contact details of people who had, for example, moved to new jobs and no longer had a relationship with SHE Transmission.

2. Understanding our relationship with our stakeholders

A B

We have categorised our stakeholders based upon our existing relationships with them, the level of influence they have over our business and their interest in helping us shape it.

Our Principal Stakeholders

We have identified our Principal Stakeholders on the basis of their level of interest in our business, which is a function of the impact our business can have on their aims and ambitions, and their ability to influence how we operate.

Developers

Developers, who plan and build energy generation schemes have a close interest in how we run our business as it has a strong influence over the timescales and costs associated with connecting to the Transmission network in the north of Scotland.

Electricity Networks Strategy Group

We are a member of this high level forum, which is chaired by the Department of Energy and Climate Change and Ofgem. Its broad aim is to identify and coordinate work to help address key strategic issues that affect the electricity networks in the transition to a low-carbon future.

Landowners

Good relations with landowners help us to deliver our investment programme and to maintain our assets in a cost effective way.

National Grid Electricity Transmission

We must work effectively with National Grid to ensure network customers receive a high quality of service at the lowest possible cost.

Ofgem

We engage with Ofgem on a wide range of issues, including developing a regulatory framework that allows stakeholders to contribute effectively to shaping our business.

SHE Transmission employees

We want to make sure that our colleagues understand what we are doing and how we are doing it. We also want to learn from our people and introduce ways in which their ideas can be incorporated.

Statutory consultees

Statutory consultees play a key role in the development and delivery of our projects; maintaining constructive relationships is vital to the timely delivery of our investment programme.

Supply chain participants

Supply chain issues are key to the timely and cost efficient delivery of our investment programme. We have a shared interest in developing and maintaining a healthy, competitive supply chain and a safe workforce.

Trade bodies

We engage with trade bodies to ensure that the consensus view of their membership is considered when we make decisions. We work with trade bodies to gather stakeholder views and to disseminate information via established channels.

UK and Scottish governments

Our engagement with the UK and Scottish governments is focused on our effective and efficient investment, and economic growth, particularly through our programme of network development and the timely connection of renewable energy developments.

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

Looking Ahead

From 2013 to 2015, we have approached engagement with our stakeholders by considering the interests of each of our stakeholder groups and developing engagement plans for each group.

However, the learning we have gained from participating in Ofgem's Stakeholder Engagement Reward incentive has helped us to understand that an issues-based approach will allow us to engage more effectively; we will move to that approach for 2015/16.

Our Stakeholder Engagement Implementation Plan for 2014/15 was developed in line with our Stakeholder Engagement Policy and supports our Stakeholder Engagement Strategy. In order to ensure that our resources are used as effectively and efficiently as possible, in 2014/15, we focused on:

- Principal Stakeholders, who have a particularly high level of interest in and influence over our business;
- Community Stakeholders, including people with high levels of interest in our major projects; and
- Innovation Stakeholders, to support our innovation strategy.

Min. Req. Key **A** Comprehensive strategy, Informing stakeholders and Enabling timely feedback **B** Broad engagement **C** Variety of mechanism **D** Acting on input

Actively engaging our stakeholders

3. Actively engaging our stakeholders

A B C

In 2014/15, we continued to offer a range of ways to engage with SHE Transmission, tailored to the wishes of our stakeholders.

We aim to continually monitor and evaluate our mechanisms of engagement to ensure they sustain constructive engagement and to increase the number and diversity of stakeholders with whom we engage. Much of our engagement is integrated into everyday business as we work with our stakeholders to deliver our RIIO-T1 commitments. However we recognise the value of ‘set piece’ engagement which can drive progress on specific matters and highlight the importance of particular issues, leading to substantial change.

Engaging bill payers

As the only Transmission Owner to offer compensation to customers affected by power cuts caused by a problem on the Transmission network, we aim to provide exceptional service in relation to this activity.

Incidents in relation to which compensation applies are infrequent, however when such an event occurred on the Isle of Skye in 2014, and

we paid compensation to affected customers, we commissioned a large-scale independent survey to help us understand our customers’ experience of the compensation process and to identify ways in which we could improve the service we provide.

Respondents expressed high levels of satisfaction with the compensation process, with the only significant area for improvement identified as reducing the time between the power cut happening and their cheque being sent out.

In response to this feedback, we have reviewed our internal processes and implemented change to streamline and speed up the process. The next time a ‘qualifying’ power cut happens, we’ll survey the affected customers to find out whether our changes have resulted in higher satisfaction with our service.

Outreach for safety improvement

In late 2014 SHE Transmission’s Safety Performance Manager – once a site worker himself – undertook a tour of our construction sites in our engagement vehicle, inviting anyone on site to come along and have their say on safety. To allow people to speak freely, he held

sessions for hands-on workers separately to those for supervisors and managers. The very honest feedback gathered from the sessions is driving step change in how we interact with contractors on safety matters.

Engaging via social and traditional media

In 2014/15 we implemented a new approach to using social media to reach out to stakeholders. The Stakeholder Engagement Team now work closely with our newly appointed Transmission Communications Manager to deliver a programme of engagement via social and traditional media.

Engagement techniques used in 2014/15

- Conference participation
- Consultations
- Exhibition presence
- Face-to-face meetings
- Participation in advisory committees
- Public meetings
- Reports and publications
- Social media
- Surveys

Innovative engagement in 2014/15

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Building Certainty – The Enablers

The Scottish Islands Renewables Delivery Forum has been established to address the issues which have prevented the delivery of the huge renewable energy potential of the Scottish islands. The Forum is co-chaired by the Scottish and UK governments and includes in its membership key decision-makers from industry and the public sector.

As a member of the Forum, SHE Transmission originated an innovative programme of engagement entitled ‘Building Certainty – The Enablers’. Through this programme key stakeholders are providing input on the various issues that must be addressed to enable robust Needs Cases to be developed for the construction of new transmission connections to the outlying Scottish islands.

SHE Transmission has led this programme of engagement, such that real progress has been made on this issue, which has significant economic and environmental implications. The ‘Building Certainty – The Enablers’ project has, in the words of Scotland’s Minister for Business, Energy and Tourism, Fergus Ewing “secured the most significant progress for the islands since the Delivery Forum was established”.

Progressing Innovation ‘Speed Dating’ projects

In March 2014 we held a rapid-fire event, styled on social speed-dating, to identify potential innovation projects. 100% of attendees said they found the event enjoyable, and that they were satisfied with it overall.

In the 12 months following this event, we have contacted all participating stakeholders to thank them and to let them know which innovations we will be taking forward.

Trialling 3D visualisation technology

We have begun a project to improve the way in which we engage with local authority planning professionals and with local communities when we are proposing to develop new infrastructure.

Some developers of energy assets use 3D visualisation extensively when sharing their proposals with stakeholders, whilst SHE Transmission has traditionally relied on 2D photo montages to demonstrate what the new development will look like in the landscape. We are now undertaking a trial of 3D visualisation technologies.

The trial will involve presenting a number of 3D technologies to a group of planning executives to understand which best suit their needs, then taking the planners’ preferred technologies to community representatives to make the final decision on which technology we should use in a trial project.

We will then use the stakeholder-chosen 3D visualisation technology when presenting plans in relation to a new project. We will assess their effectiveness in allowing stakeholders to better understand the visual impact of the proposals by seeking detailed feedback from participants. This feedback will inform our decisions on future use of such technology.

Building Certainty – The Enablers Contributing Stakeholders

- DECC
- Developers of renewable generation
- Local Authorities
- National Grid Electricity Transmission
- Ofgem
- Scottish Government
- Scottish Hydro Electric Transmission

Min. Req. Key **A** Comprehensive strategy, Informing stakeholders and Enabling timely feedback **B** Broad engagement **C** Variety of mechanism **D** Acting on input

Informing, listening and responding to stakeholders

4. Informing our stakeholders

A B C D

Reports on our business will be made publicly available in a range of formats. We will regularly update our documentation in line with feedback from our stakeholders.

New ways of informing our stakeholders

This year, in addition to our well-established publications such as our recently-improved quarterly Major Transmission Projects Update and our Grantors' Code of Practice, we created a plain English guide to transmission connections which provides an easy to understand description of what is a very complex process.

Also, following feedback from our 2014/15 stakeholder survey, in which 96% of stakeholders stated their support for a Transmission newsletter, we have committed to developing a quarterly newsletter for stakeholders, which will be focused on the needs of our stakeholders. In developing what we intend to be a highly interactive electronic newsletter, carrying useful industry information, we will invite a representative group of stakeholders to review our proposals and to comment on a number of different newsletter formats; these views will inform our decision on which format we use and will refine our plans for the content we include. The first newsletter is scheduled for summer 2015.

Engaging to provide better communication

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. 81% of respondents said they would like more information on changes, updates and future plans. 96% supported the idea of a newsletter.

Source: SHE Transmission Annual Stakeholder Satisfaction Survey 2014/15

5. Listening and responding to our stakeholders

A B D

We aim to 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 to improve our business.

Our Principles of Written Consultation

In early 2014, we adopted a set of Principles of Written Consultation. The Principles establish a best practice approach to written consultation, informed by best practice in UK government. Our Principles of Written Consultation, which were reviewed and approved by our Stakeholder Engagement Business Group, and by the Scottish and Southern Energy Power Distribution Board, are currently being rolled out to all SHE Transmission teams and our aim is for all written consultations to be conducted in line with the Principles.

Our Principles of Written Consultation

In summary:

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.

Our annual stakeholder survey

We are committed to undertaking an annual survey of stakeholders which is intended to:

- Inform ongoing business development and strategy
- Measure customer and stakeholder satisfaction with different services provided by SHE Transmission
- Provide trend analysis to monitor change in customer and stakeholder satisfaction over time
- Provide a robust annual measure of stakeholder satisfaction.

The survey is based primarily on a telephone survey supplemented with an online survey to help boost response. Overall, 145 customers and stakeholders participated in the survey (126 were interviewed by telephone and 19 completed an online version of the survey questionnaire). The survey achieved a response rate of 26%, up from 16% last year.

In addition to gathering information on matters including service expectations, communication preferences, and stakeholders' understanding of the role of SHE Transmission, the survey identified that:

- 99% of customers and stakeholders are supportive of Scottish Hydro Electric Transmission's annual customer survey as a way of finding out the views of customers and stakeholders;
- 94% of customers and stakeholders were interested in taking part in other stakeholder engagement activities.

Overall satisfaction with SHE Transmission, as rated by stakeholders responding to the survey was 7.7 out of 10, a substantial increase from 6.5 in the previous year. This improvement is reflected in stakeholder responses to the question: "Over the last 12 months, would you say that SHE Transmission has improved?", where of those stakeholders who expressed an opinion, 65% said that SHE Transmission had improved a little or improved a lot, with just 8% saying that SHE Transmission had got worse.

Improving communication with developers

In 2013/14, our annual Stakeholder Survey showed low levels of satisfaction amongst developers of generation. Key areas of dissatisfaction appeared to relate to the quality and frequency of communication they received through the connections process. This was a cause of great concern and an action plan was developed to increase the level of satisfaction expressed by this stakeholder group.

The contracts management team have received bespoke training on stakeholder engagement and have taken part in our Winning Service training programme. In 2014/15 they delivered a raft of improvement measures and have worked with National Grid (in its System Operator role) to plan improvements in areas where our service provision may impact upon theirs and vice versa.

Our 2013/14 Stakeholder Satisfaction Survey found that developers rated their satisfaction with SHE Transmission at 5.0 out of 10; in 2014/15, their satisfaction had risen to 7.6 out of 10.

Min. Req. Key **A** Comprehensive strategy, Informing stakeholders and Enabling timely feedback **B** Broad engagement **C** Variety of mechanism **D** Acting on input

Being accessible to our stakeholders

6. Being accessible to our stakeholders

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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 Principles of Written Consultation 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.

Our Customer Charter

A B D

Following stakeholder consultation undertaken during the development of our RIIO-T1 Business Plan, we developed a set of key performance indicators (KPIs) aligned with our stakeholder-approved Customer Commitments. We have created a stakeholder-focused document entitled Our Customer Charter which sets out our commitments in plain English; shows how we will measure our performance in relation to those commitments; and highlights ways in which stakeholders can engage with SHE Transmission in relation to each Commitment.

Our Commitments and the KPIs which provide a measure of our performance on each Commitment are set out on the right.

There have been some delays in the KPI approval process, but we are confident that Ofgem will formally approve the KPIs soon, allowing us to publish Our Customer Charter and to report effectively to our stakeholders on our performance.

Being accessible online

This year we have restructured our web pages to make it easier to access information about SHE Transmission and simpler to contact us. There are individual contact details for each construction project; an events calendar; routes to enquire about connections; three ways to make a complaint; and links to our social media channels.

Our Customer Commitments

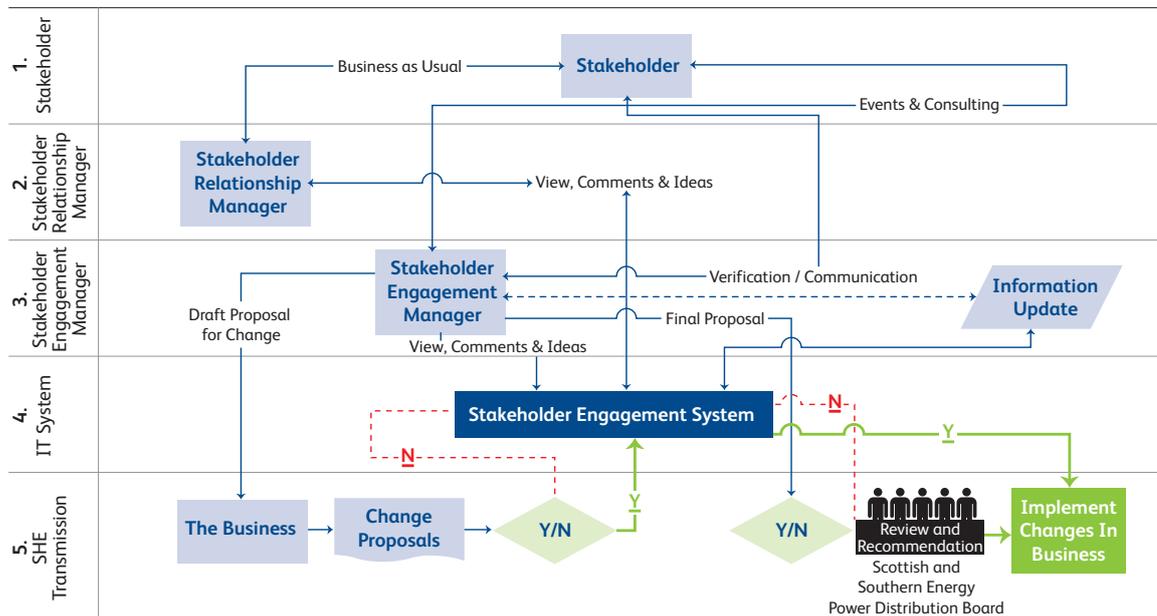
- (1) We will develop, maintain and operate our networks safely at all times.**
We will continue to take all reasonable steps to ensure that members of the public, contractors and staff are not harmed as a consequence of our activities. We will seek to learn from best practice around the world and challenge each other to improve our performance. This remains our highest priority at all times.
- (2) We will seek to provide our customers and stakeholders with the best possible service.**
In particular, we will continue to review how we communicate more effectively and our responses when you get in touch with us.
- (3) We will maintain our commitment to delivering value for money across our activities.**
We are funded by bill payers (both domestic and commercial energy users) and we recognise the impact our costs have on everyone's budgets. We commit to ensuring that our expenditure is efficient and effective; keeping the impact on bill payers as low as possible; and delivering fair outcomes to our customers and suppliers.
- (4) We will operate in a sustainable manner, with consideration to the long-term impact of our activities.**
We are committed to the communities and environments that make up our network area. The nature of our business and the longevity of our assets means that our investments will have a long-term impact and we will do what we can to ensure that we deliver positive benefits to the north of Scotland.
- (5) We will build and maintain lasting, mutually beneficial relationships with those affected by our activities.**
We will seek to work with you, developing multidisciplinary and multi-organisation teams, where appropriate, to deliver effective solutions that benefit the wider industry and community.
- (6) We will work smarter, deploying innovative solutions where these can assist us in developing, maintaining and operating our networks.**
We will work with the innovation community to identify, develop and deploy new technologies and techniques that bring benefits to those impacted by our networks.
- (7) We will report regularly on our performance so you can assess how we are delivering on these commitments and our wider obligations.**
We will publish an annual performance report, covering our performance across our key outputs and obligations, with additional updates on important areas of our work.

Min. Req. Key **A** Comprehensive strategy, Informing stakeholders and Enabling timely feedback **B** Broad engagement **C** Variety of mechanism **D** Acting on input

Our Process

A Robust Process

A D



We have a robust process in place to record our engagement with stakeholders and the journey of their input through:

- the ways in which their views are considered within SHE Transmission
- the ways in which we change our business as a result of our stakeholders' views and suggestions
- the ways in which we complete the loop by subsequently seeking views from our stakeholders on the action we have taken.

Reaching out to stakeholders

Our engagement process in summary:

1. We interact with stakeholders either via our Stakeholder Relationship Managers, or via specific events, consultations and other activities run by our Stakeholder Engagement Team.
2. We use the information from these interactions to assess how or whether we could change our business to better meet stakeholder needs.
3. We take the proposals to the relevant business teams for further development and discussion – some ideas will be identified as not feasible, or as conflicting with wider stakeholder opinion, and some will be agreed to be feasible.

4. We liaise with the stakeholder, either proposing what can be done to better meet their needs or explaining why we can't comply with their requests.
5. We will implement feasible proposals. Proposals likely to have a significant impact on the business will first be submitted for Board approval.

Improving our process: Business Sponsors

In 2014/15 we amended our process to help smooth the implementation of change brought about through stakeholder engagement. We now appoint a Business Sponsor for all of our change proposals, which aids the speedy adoption of engagement-driven ideas as business-as-usual.

Our Implementation Plan

We have designed our Implementation Plan to ensure that we:

- keep stakeholders informed about aspects of our business, and the wider industry, that we believe will be of interest to them
- share news about the activities that our business is undertaking
- make well-informed and sustainable decisions.

We believe that time spent engaging with SHE transmission will ultimately deliver rewards for all the parties involved, and we strive to make the engagement process as simple and convenient as possible.

Efficient engagement

With these aims in mind, we want to ensure that we engage with stakeholders in a way that adds value and avoids wasting money, materials, energy or time, making the best possible use of their time and aligning their engagement with us with their own activities and interests.

On a practical basis, we seek to ensure our approach to engagement is efficient by:

- developing communication methods to reduce paper usage
- using video conference where feasible
- travelling only where it adds real value
- coordinating stakeholder engagement activities with our Distribution colleagues
- sharing best practice with our Distribution colleagues
- sharing resources, including IT systems.

Improving our implementation plan: three levels of engagement

In 2014/15 we continued to structure our engagement activity around the interests of a number of stakeholder groups, as described on page 3. However, we are increasingly conscious of the importance of ensuring that our engagement spans stakeholders ranging from national decision makers such as government ministers, through industry senior managers to local communities and individual customers whose concerns often have a more local focus. Our three level approach is covered in more detail on page 2.

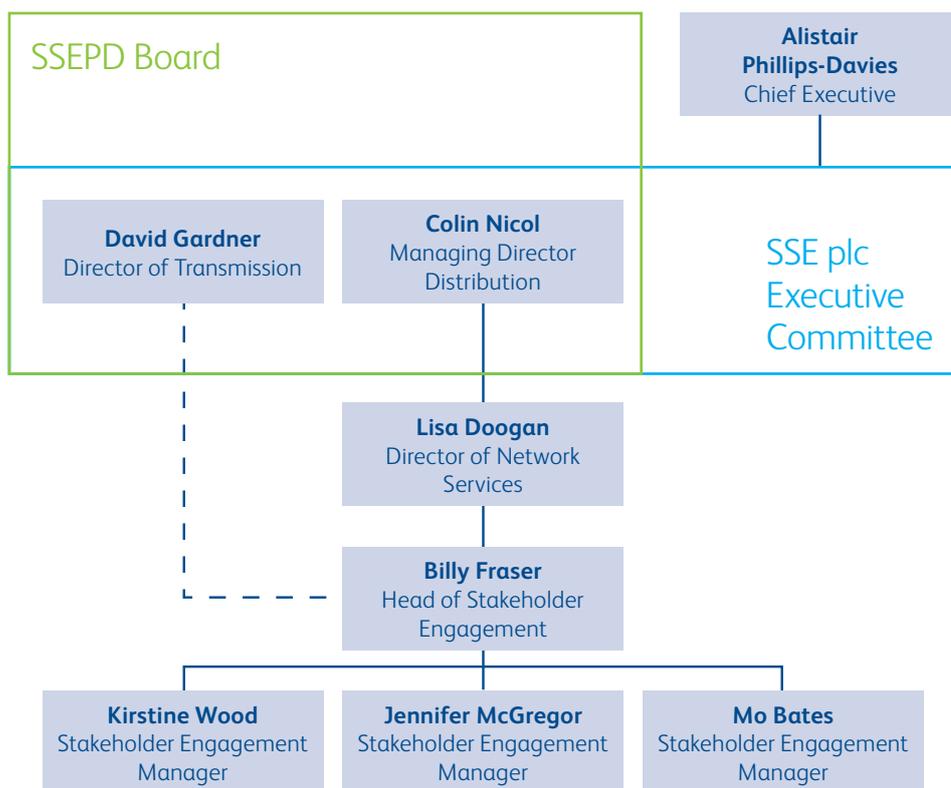
Min. Req. Key **A** Comprehensive strategy, Informing stakeholders and Enabling timely feedback **B** Broad engagement **C** Variety of mechanism **D** Acting on input

Our People

Our People

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



Stakeholder Engagement Management Team

The Stakeholder Engagement Team work with our Stakeholder Relationship Managers to develop an effective framework within which their engagement activities can be planned and implemented, and the outcomes measured and recorded.

The Team also ensures that the Stakeholder Relationship Managers' engagement activities fit with our Stakeholder Engagement Strategy and Implementation Plan, with a particular focus on delivering engagement at a level appropriate to the issue being covered.

Billy Fraser Head of Stakeholder Engagement

Billy leads the Stakeholder Engagement Team. He was Scottish and Southern Energy Power Distribution's Head of Performance Improvement from 2006 to 2012.

Jennifer McGregor Transmission Stakeholder Engagement Manager

Formerly Communications Manager for Scottish and Southern Energy Power Distribution's Future Networks Team. Jennifer has worked closely with stakeholders in all of her roles in 18 years of working for SSE, including in relation to renewable energy developments, networks projects and innovation.

Our Stakeholder Relationship Managers

We plan our engagement activity to make the most of the skills to be found in our highly skilled and customer-focused SHE Transmission team. In our annual stakeholder survey, 99% of stakeholders said that they were satisfied with the politeness of our staff, 97% with their professionalism, and 96% with their ability to make decisions quickly.

Strong lines of command

Stakeholder engagement is embedded within our management structure. As at March 2014, our Head of Stakeholder Engagement reports to our Director of Network Services (who in turn reports to our Managing Director of Distribution) and in parallel is a direct service provider to our Director of Transmission. Both our Managing Director of Distribution and our Director of Transmission are members of the Scottish and Southern Energy Power Distribution Board and the Executive Committee of our parent company, SSE plc. This arrangement helps ensure that the views of stakeholders, elicited from our stakeholder engagement processes, are considered at the highest levels of our organisation.

Our programme of training

Our survey showed that stakeholders think highly of the people who make up the SHE Transmission. However, to ensure we keep getting better, we have an ongoing programme of training to help our team improve the service they provide to stakeholders and ensure that their engagement with stakeholders is of the highest quality.

Stakeholder service training for all colleagues

In 2014/15, we carried out one of the biggest training exercises ever undertaken by SHE Transmission. Over the course of three months, we delivered half day 'Winning Service' training sessions to almost 90% of SHE Transmission colleagues. This is covered in detail on page 9.

Against this background we appointed some of our most experienced colleagues as Stakeholder Relationship Managers, formalising the role they play in working with stakeholders. These colleagues have responsibility for evolving our relationships with clearly identified stakeholder groups. This year, the Stakeholder Relationship Managers have been working on ensuring that their engagement activities are focused on the most appropriate level of engagement – Strategic, Organisational or Operational.

Min. Req. Key **A** Comprehensive strategy, Informing stakeholders and Enabling timely feedback **B** Broad engagement **C** Variety of mechanism **D** Acting on input

Training for excellence in stakeholder service

Stakeholder Service

A B

In 2013/14, we committed to ensuring that, by the end of 2014/15, the SHE Transmission team would have received face-to-face training on stakeholder service and all teams would be tasked with developing an action plan for improving the service they provide to their stakeholders.

In March 2014, we delivered a pilot training session to assess whether the proposed training course would achieve the objectives of increasing colleagues' commitment to providing excellent service and helping teams create action plans.

Winning Service

Informed by the pilot session, between October 2014 and January 2015, we delivered a training programme reaching almost 90% of our SHE Transmission colleagues. Additional sessions will be run every six months to ensure all staff, including new starts, receive the training.

The session content was developed jointly by the SHE Transmission Stakeholder Engagement team and the SSE Group Training and Development team.

Bringing in best practice from across the SSE Group, the training comprised four key 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

Senior management commitment

The training sessions were delivered by qualified SSE Group trainers, supported in each session by a member of SHE Transmission's senior management team. All senior managers were also required to attend the sessions and to contribute to the service improvement plans for their team.

Why 'stakeholder service'?

SHE Transmission has not traditionally been seen by its employees as a customer service based organisation, a position that can be justified to some extent by the low frequency of contact with bill paying customers. However, given the interaction we have with a wide range of other

groups – communities, suppliers, contractors and employees of other networks companies amongst many others – it is clear that we have a responsibility to apply high standards of service in all our dealings with our stakeholder community.

Measuring the effectiveness of the Winning Service training programme

To help us understand the effectiveness and benefits of the training course, SHE Transmission staff were surveyed by an independent research agency prior to participation in the course and again following their participation in the course.

The conclusion of the independent research provider, Social Market Research was as follows:

"The evidence from this evaluation shows that the provision of staff training on stakeholder engagement has had a significant impact. The course was universally welcomed by staff with almost all saying they would benefit from the course.

At a very basic level, the evaluation evidence points to improved awareness among staff of who their stakeholders are. Prior to the training course, 22% said they had no contact with stakeholders, which fell significantly to 8% following training.

In terms of specific outcomes, the evidence points to the course having had a significant impact on staff knowledge and understanding of the importance of good stakeholder engagement to SHE Transmission (e.g. a shift of 33 percentage points in staff understanding of what good stakeholder service is [up from 59% prior to training to 92% following training]). Furthermore, in the post-training survey staff were more likely to report understanding the benefits of good stakeholder service (up 22 percentage points from 68% prior to training to 90% following training).

The evidence from the pre-training survey showed that there were some differences in understanding of what good stakeholder service is between different employee age groups as well as employee role within the business. However, and on a positive note, these differences were not evident following the training.

Significant numbers of staff reported that the training course will help promote a more positive culture around services provided to stakeholders, with more than 7 out of 10 saying that the course will help them in future dealings with stakeholders.

Taken collectively, the evaluation findings support the view that the training has been beneficial to staff, with positive indications that staff are now better equipped to help enhance the experience of SHE Transmission among external stakeholders."

Planning for improvement

The key output from the programme of stakeholder service training was the development of over 20 team-owned action plans to improve the service provided to stakeholders.

Progress on the plans will be followed up at six-monthly intervals until summer 2016 to ensure the proposed changes are implemented.

There are also a number of actions being considered by the SHE Transmission senior management team for implementation across the business.

- Extending our use of Geographic Information System (GIS) to improve the service we provide to landowners
- Improving the way our land teams and our engineering teams work together to share information that will help deliver connections for generators as quickly as possible

Min. Req. Key **A** Comprehensive strategy, Informing stakeholders and Enabling timely feedback **B** Broad engagement **C** Variety of mechanism **D** Acting on input

Audit and accreditation

During 2014/15 we undertook a range of activities relating to the independent verification and accreditation of our stakeholder engagement activities.

Independent audit (Appendix 3)

A

In March 2015, our stakeholder engagement processes were audited by SSE plc's Networks Compliance team (part of our Group Compliance function) in a comprehensive review ('the Review').

Group Compliance is an independent function which reports directly to the SSE Group Executive Committee through the Managing Director, Corporate and Business Services. This ensures impartiality in its activities which are focused on the key areas of risk appropriate to each individual business area.

The overall objectives of the Review, as agreed between Lisa Doogan, Director of Network Services and Networks Compliance, were to identify the key regulatory and reputational risks associated with Distribution and Transmission Stakeholder Engagement Management and to assess the effectiveness of controls to manage these risks.

A summary of the key actions with responsibilities and dates for completion is contained in the Final Report and these are being progressed within the required timescales.

The Review concluded that "the overall control environment for Transmission and Distribution Stakeholder Management is effective and the processes and controls in place are sufficient to provide the necessary assurance relating to SSEPD's engagement activities."



ISO 9001:2008 Quality Management System Accreditation (Appendix 4)

A

In April 2015, we had a second successful annual management system certification audit ('the Audit') carried out by an external accreditation organisation to ensure that our stakeholder engagement processes are compliant with the ISO 9001:2008 Quality Management System. This demonstrates our continued 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 this audit were:

- to confirm that the management system conforms with all the requirements of the audit standard;
- to confirm that the organisation has effectively implemented the planned management system;
- to confirm that the management system is capable of achieving the organisation's policy objectives.

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."



Exceeding Compliance with Engagement Strategy – independently confirmed (Appendix 5)

A

In April 2015, ERM Certification and Verification Services (ERM CVS) conducted our second annual 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).

ERM CVS concluded that SHE Transmission had exceeded compliance with its Stakeholder Engagement Strategy for 2014/15, as defined in the Terms of Reference, agreed by Ofgem in 2013. (Appendix 6)

To 'exceed compliance', SHE Transmission must meet the requirements for compliance which are:

"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."

And demonstrate that "it has actively sought to deliver an enhanced approach to stakeholder engagement, in particular:

- Additional activities have been undertaken to further understand stakeholder requirements or preferences and/or to respond to particular needs of one or more stakeholder groups; and/or
- SHE Transmission had demonstrated that it has sought to go beyond the scope of its Stakeholder Engagement Strategy and Implementation Plan to better achieve its

stated aim of placing stakeholders at the centre of its business planning and improvement processes."

We exceeded compliance with our Stakeholder Engagement Strategy by actively seeking to deliver an enhanced approach to stakeholder engagement, in particular by undertaking additional activities to further understand stakeholder preferences including:

- conducting research after a major power cut to understand customers' experience of our compensation process and in response to survey findings, implementing process changes to reduce the time taken to deliver compensation payments (see page 3 of Part 2 of our 2014/15 Stakeholder Engagement Submission); and
- responding to a drop in contractor safety performance by gathering qualitative feedback from site workers to inform the design of a programme of improvement (see page 10 of Part 2 of our 2014/15 Stakeholder Engagement Submission).



Min. Req. Key **A Comprehensive strategy, Informing stakeholders and Enabling timely feedback** B Broad engagement C Variety of mechanism D Acting on input