

SHE Transmission

Proposed Key Performance Indicators

November 2013

Stakeholder Satisfaction Incentive

Proposed Key Performance Indicators

Scottish Hydro Electric Transmission plc (SHE Transmission) is the owner of the high voltage electricity transmission system in the north of Scotland. As the regional monopoly provider for this activity, SHE Transmission is regulated by the Office of Gas and Electricity Markets (Ofgem) through a 'price control'. Amongst other things, this determines the amount of revenue SHE Transmission is able to earn from users of the network to cover the efficient cost of maintaining and developing the transmission system.

As part of the arrangements for the RIIO-T1 price control that runs from 1 April 2013 to 31 March 2021, we have agreed with Ofgem to develop and implement Key Performance Indicators (KPIs) to assist our customers and other stakeholders, including Ofgem, understand and monitor the quality of service we provide. Our performance against these measures will result in us being either rewarded or penalised as described further below.

Further information on our Business Plan for this period can be found at:

www.ssepd.co.uk/Projects/TransmissionPriceControlReview

Alternatively, information is available from Ofgem at:

www.ofgem.gov.uk/Networks/Trans/PriceControls/RIIO-T1/ConRes/Pages/ConRes.aspx

This paper sets out the detail of the KPIs that we are submitting to Ofgem in accordance with paragraph of 3D.18 of our Special Licence Conditions. Unless Ofgem directs otherwise, we will implement these with effect from 28 May 2013, backdating where possible for performance in April and May 2013, and report on our performance against these measures on an annual basis.

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In developing our Business Plan, we recognised the importance of our activities to a wide range of interested parties who are affected by our activities. Over the last two years, we have worked with Ofgem and the other Transmission Owners (TOs) to develop the detail of an incentive to reward or penalise us for the quality of the service we offer, and the subsequent level of satisfaction for those we work with.

Due to industry governance arrangements, contractual arrangements for those who use or wish to use our network are made via National Grid as the System Operator. To reflect this, the incentive was renamed Stakeholder Satisfaction, although in reality it covers all parties affected by our activities; customers and other stakeholders.

The overall incentive package is calculated as a percentage of our annual allowed revenue and is set

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at 1% of our revenue. There are many factors that influence our revenue but we estimate that this incentive is worth between £2million and £4million per year. This incentive can either be applied as a penalty if we under-perform or as a reward if we deliver.

The incentive consists of three components, namely:

- An annual Satisfaction Survey;
- Annual performance against Key Performance Indicators; and
- External Assurance.

Satisfaction Survey

Once a year, we are required to carry out a survey to assess how satisfied those affected by or interested in our activities are with our performance. We will ask respondents to rate their overall satisfaction with our performance, on a scale of 1 to 10.

This question of overall satisfaction will feed directly into the incentive. However, we envisage using the survey as an opportunity to ask questions on other aspects of our performance so we can understand the factors that lead to the scores we receive and also seek to address any specific issues or concerns that may be identified through this process.

Key Performance Indicators

We are required to develop a number of KPIs that will provide a transparent and objective means for a range of parties to assess the quality of the service we provide.

Before we implement these, we are required to submit our proposed KPIs to Ofgem for approval and this paper forms the detailed part of that submission.

External Assurance

To ensure we are engaging with our customers and other stakeholders in line with our stated approach, we are also required to seek independent confirmation that we have followed the approach we have committed to. This independent view is intended to provide comfort to those who provide feedback on our activities that we are acting on your comments, even if it may not be immediately apparent. We believe this is particularly important as there are times when we have to balance a number of conflicting opinions or requests.

Proposed Weightings

Our performance in relation to each of these components contributes to the level of penalty or reward we are eligible for each year within the price control period. Under our licence, we are required to submit proposed weightings for these components to Ofgem for approval by 30 April 2013.



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As such, we have proposed the following weightings and are awaiting feedback from Ofgem in relation to these.

Component	Value
Satisfaction Survey	0.3
KPIs	0.6
External Assurance	0.1

Our submission to Ofgem will be available from our website in due course.

Our Commitments to You

In September 2012, we issued a consultation on the implementation of a number of components of our Business Plan and what these might mean for our customers and other stakeholders. One of these components was our Draft Charter, entitled 'Our Commitments to You'.

This consultation can be found at:

www.ssepd.co.uk/Projects/TransmissionPriceControlReview and an excerpt is provided in Appendix 3.

The Commitments we made were:

(1). We will develop, maintain and operate our networks safely at all times.

(2). We will seek to provide our customers and stakeholders with the best possible service.

(3). We will maintain our commitment to delivering Value for Money across our activities.

(4). We will operate in a sustainable manner, with consideration to the long-term impact of our activities.

(5). We will build and maintain lasting, mutually beneficial relationships with those affected by our activities.

(6). We will work smarter, deploying innovative solutions where these can assist us in developing, maintaining and operating 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 received a small number of comments on our proposals that were largely positive. We anticipate publishing the final version of this document in June 2013.

Given the support received, we believe it is appropriate to align our KPIs with these higher-level commitments to provide objective measures for you to assess our performance against these commitments.



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We have developed what we believe are appropriate measures to underpin these Commitments and provide a high degree of transparency around our operations. However, these are areas where we've not historically captured data so need to carry out some further steps to be able to develop meaningful measures. These are set out below under the sub-heading 'Development Areas'.

We have explained our thoughts in relation to the relevant Commitment below and will seek to introduce new or amended measures to reflect these areas in line with the review process at the end of this paper in due course.

Developing our Proposed KPIs

We have given a lot of thought to developing a meaningful and innovative set of KPIs. Here, we explain the rationale behind our approach.

Giving the full picture

In developing our proposed KPIs, we identified a small number of measures that we believe are relevant and appropriate to those affected by or interested in our activities, which are incentivised by Ofgem through other mechanisms within the price control. The affected KPIs are indicated in table 1 by an asterisk (*) after the reference number.

We do not believe we should be rewarded or penalised for our performance in relation to these measures more than once. However, we do believe that the set of KPIs is incomplete without them.

We are therefore proposing to report on these measures on an information only basis to provide a complete picture of our performance. However, we intend to exclude these from the calculation of our measured score that calculates our reward or penalty for the KPI component of the incentive package to avoid duplication of other incentives.

Dialogue with the System Operator

As highlighted above, all parties who use or wish to use our network enter into contractual arrangements with National Grid as the System Operator (SO) for Great Britain. The SO then enters into bilateral agreements to implement these arrangements with us as the TO.

Consequently, the effectiveness of the relationship between us and the SO is critical to meeting the needs of our network users. To reflect this, in December 2012, Ofgem asked us to ensure we considered the views of the SO in developing these KPIs. This was set out in a letter that can be found at: http://www.ofgem.gov.uk/Networks/Trans/PriceControls/RIIO-T1/ConRes/Documents1/SPTL_SHETPLC_UpdateLetter%2021_12_2012.pdf



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We have discussed the development of our KPIs with representatives of the SO as part of progressing our proposals. Through this dialogue, two key areas of concern were identified by the SO where our performance can have a significant impact on the service that the SO is able to provide to network users, namely: (i) coordination and planning of outages on our network; and (ii) completion of necessary paperwork to ensure timely offers can be made to those seeking connection to our network.

Two of our proposed KPIs therefore directly reflect these concerns in terms of Transmission Network Outages planned in current year (ref: 1.3) and Timely Submission of Connection Offers to the SO (ref: 5.1). Of these, the Timely Submission of Connection Offers already has an incentive associated with it, whereby we can be penalised up to 0.5% of our revenue if we do not deliver in line with our obligation to provide timely connection offers. We therefore propose to include it on an information only basis as described above.

In addition, the SO has suggested some supporting indicators that we are looking to introduce as part of our ongoing relationship management arrangements to provide early warning of issues that might affect these areas.

We believe it is appropriate to incorporate these indicators as part of our regular commercial reviews as our performance in these areas does impact on the SO's performance, as well as on those who use or seek to use our network.

At this stage, however, we do not believe we need to incorporate these supporting indicators into our incentivised KPIs as performance against these indicators will ultimately be captured by whether or not we deliver against the two higher-level KPIs. We will continue to review this with the SO as part of our regular dialogue.

Development Areas

When we started the process of developing our KPIs, we identified a wide number of areas in which we saw potential benefits for measuring and reporting our performance in. The majority of these we were able to incorporate into our Commitments and this set of proposed KPIs. However, there were a few areas identified where further work will be required to be able to develop a meaningful measure.

These areas include, for example:

- Extent to which we can be considered to be active in our local community;
- Processes and policies changed as a direct result of customer/stakeholder feedback;



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- Timescales for providing responses to non-general enquiries or business correspondence;
- Steps taken to improve our procurement practices; and
- Demonstrating an enduring approach to our activities.

Regulation of energy networks has moved to an 'Output' basis, focussing on what we deliver, rather than how we achieve this delivery (sometimes referred to as 'Inputs'), and we fully support this approach. We recognise that some of our proposed KPIs can be seen as Inputs rather than Outputs. Ultimately, we will look to develop all of our KPIs to measure outputs from our activities but presently lack the evidence base in certain areas to introduce appropriate measures at this stage.

We will continue to review these areas and the steps required to develop KPIs for future use that are a meaningful measure of our performance, seeking to learn from recognised best practice and the feedback we receive through our annual survey about our customers' and stakeholders' priorities.

Our Proposed KPIs

As described above, we have developed our KPIs to reflect performance against each of Our

Commitments. This section sets out the measures in relation to Our Commitments and our reasoning for their adoption. Where additional commentary is required on the definition or measurement of these measures, we have provided this in Annex A.

For each measure below, we have identified a target for our performance and our actual performance will be compared against each of these targets each year and the outcomes combined to create an aggregate performance score between 0 and 100. All of the measures and the respective performance targets are summarised in Table 1 on pages 13-14. The methodology for how we will calculate our aggregate performance score is provided in Annex B.

1. We will develop, maintain and operate our networks safely at all times.

This Commitment is at the heart of everything we do. Safety is our highest priority and we have a responsibility 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 also know that those who use our network depend on us to provide reliable transmission of electricity and minimise any times when part of network is unavailable, on either a planned or unplanned basis.



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Our KPIs in relation to this Commitment are proposed to be:

- 1.1 Reportable safety incidents for our staff and contractors and the general public;
- 1.2* Average duration of interruption per customer; and
- 1.3 Transmission network outages planned in current year.

There have been a number of discussions around whether or not we should have incentives in place in relation to safety and which body is best placed to regulate performance in this area. We maintain our view that the Health and Safety Executive is uniquely placed to regulate our safety performance. However, we recognise the importance of safety to all our customers and other stakeholders and therefore believe it is relevant to include it for completeness as part of a set of measures reflecting our performance.

Our performance in minimising the impact of interruptions is already incentivised under the price control package under the Reliability Incentive for Energy Not Supplied. KPI 1.2 is proposed to be treated on an information only basis as described above.

Outages are taken when there is an operational requirement to switch out parts of the Transmission Network to carry out work safely or, occasionally, as

the result of a fault on a piece of equipment. We recognise the impact that outages have on network users and other network owners/operators.

In conjunction with the SO and Scottish Power Transmission, we have developed a Network Access Policy (or NAP) that will seek to further improve the coordination and planning of outages. However, we recognise that unplanned outages do occur and these can be particularly problematic for the SO and network users. Our final KPI in this area is intended to drive improvements in minimising unplanned outages to address these concerns and is intended to complement the work undertaken in relation to the NAP.

2. We will seek to provide our customers and stakeholders with the best possible service.

As part of the extensive consultation approach we used to develop our Business Plan, we learnt a lot about the service you want to see from us when you have a query or a problem and need to contact us.

Our KPIs in relation to this Commitment are intended to reflect this. They are:

- 2.1* Stakeholder satisfaction survey score (overall);



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2.2 Average working days to acknowledge written correspondence regarding general enquiries; and

2.3 Number of complaints received and percentage resolved within 30 days.

As set out above, our stakeholder satisfaction score already feeds directly into our stakeholder satisfaction incentive. KPI 2.1 is proposed to be treated on an information only basis as described above.

3. We will maintain our commitment to delivering Value for Money across our activities.

We appreciate that we are funded through consumers' bills and recognise the impact of energy costs on both domestic and commercial customers. Over the price control period, we anticipate making up to £4 billion of capital investment in our network to meet the needs of users, today and tomorrow.

We believe that our expenditure needs to be efficient and effective, whilst delivering on the projects we have committed to. We propose the following KPIs in relation to this Commitment:

3.1* SHE Transmission overall expenditure (actual vs allowed, on a rolling basis);

3.2 Major Transmission projects delivered within year; and

3.3 Other Transmission Projects delivered within year.

We recognise that there can be variations of the phasing of spend on large capital programmes between years and that true value for money is only achieved by keeping expenditure low whilst achieving the outcomes we've committed to. We therefore believe it is appropriate to measure expenditure on an ongoing basis to ensure that an accurate picture of our performance is provided.

To increase transparency, we have divided our projects into two groups. The first group is our Major Transmission reinforcement projects and includes those projects funded under specific Ofgem incentives including Strategic Wider Works (SWW); Transmission Investment for Renewable Generation (TIRG); and Transmission Investment Incentives (TII). Projects within this group tend to be higher profile and attract interest from a wide range of interested parties.

The second group is our Other Transmission projects and includes works to develop specific connections to our network; projects to support these connections (enabling works) and projects to update existing assets.

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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.

We are keen to reflect this through our KPIs that underpin this Commitment, namely:

- 4.1 Site environmental audits carried out;
- 4.2 Reportable environmental incidents; and
- 4.3 Number of new trainee posts created.

We recognise that we have the potential to have a significant impact on the physical environment and we seek to minimise any environmental incidents through our processes. However, we believe it is appropriate to be transparent about how well we are achieving this. The first two KPIs under this Commitment reflect the steps we take to proactively manage the risks associated with our activities and, the rare instances, when things don't go to plan.

Our third KPI in this area reflects the broad view we take of sustainability and the recognition that our activities also have enduring economic impacts. Given the age profile of the industry, we are keen to take pro-active steps during this price control period to attract the next generation of technical and engineering staff into the industry.

5. We will build and maintain lasting, mutually beneficial relationships with those affected by our activities.

Our activities affect a wide range of individuals and organisations and we want to take appropriate steps to build these relationships, recognising the impact our performance has on the performance of others.

Our proposed KPIs in relation to this Commitment reflect some of the parties particularly affected by our activities, namely the SO, those seeking connection to our network, our supply chain and our community.

We therefore propose the following measures:

- 5.1* Timely submission of Connection Offers to System Operator;
- 5.2 Approved suppliers located within licensee area; and
- 5.3 Volunteering days donated to the community.

As described above, we are already incentivised within the price control in relation to providing offers to the System Operator on the basis that we have agreed as part of the System Operator – Transmission Owner Code. However, we recognise that this element of our activities is of interest to a wide range of parties and we believe it is appropriate to include it on an information only basis.

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We also recognise the impact of our activities on those within our supply chain, particularly smaller players who are likely to be located within our network area and may encounter different barriers to larger firms. We obviously cannot act in a manner that is anti-competitive or would cause us to breach procurement legislation. However, we believe we can take steps to open opportunities more widely and consider the longer term impact of our activities.

All of our employees are granted a day each year that they can spend working on a community project of their choice. We believe that this is part of building mutually beneficial relationships. Uptake varies between teams but we are keen that all of our staff have the opportunity to be involved and we are also discussing joint opportunities with some of our suppliers. More information on the scheme can be found at

<http://www.sse.com/AboutUs/EmployeeVolunteering/>

6. We will work smarter, deploying innovative solutions where these can assist us in developing, maintaining and operating our networks.

We greatly value innovation and recognise that it ranges from large, multi-party projects under the Network Innovation Competition (NIC) and similar schemes to an individual seeing a better way to carry out a specific task.

Our proposed KPIs in relation to this Commitment recognise the breadth of innovation that we are seeking to promote and also our desire to turn learning from such innovation in business-as-usual practices promptly, and are as follows:

- 6.1 Network Innovation funded projects with two or more external collaborators and/or research providers;
- 6.2 Learning from Network Innovation funded projects established as Business-As-Usual; and
- 6.3 Business improvement measures and innovation put in place.

Network Innovation funded projects are those projects carried out under the NIC or the Network Innovation Allowance (NIA). The rules around this funding require network operators to disseminate learning from projects and, as such, learning implemented under KPI 6.2 may come from projects carried out by other network operators.

Business improvement measures are opportunities identified outside of the Ofgem Innovation mechanisms and include members of the team taking pro-active steps to minimise barriers or identify new opportunities within the business.

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7. We will report regularly on our performance so you can assess how we are delivering on these commitments and our wider obligations.

Your comments to date indicate that you appreciate the increased transparency on our activities that we provided in developing our Business Plan. We want to get annual feedback on how satisfied you are with and share our performance with you.

We propose a single KPI in relation to this Commitment, namely:

- 7.1 Annual performance against Our Commitments is reported on time, in an understandable format and covers our key outputs and obligations.

Reporting our Performance

In order for these KPIs to offer a meaningful insight to you, we recognise the importance of timely reporting on our performance. We intend to publish an annual performance summary covering our performance against the plans that we set out in our Business Plan and we believe it is appropriate to include a report on our performance against our KPIs in this annual summary.

We operate on the basis of years that run from 1 April to 31 March. This aligns with the regulatory cycle that

Ofgem work to and our corporate reporting arrangements. Our reporting will therefore cover this period and we anticipate issuing this in the following autumn. So, for example, we expect to publish a report on our performance for the year April 2013 to March 2014 in August/September 2014.

Review

Our licence conditions require us to review our KPIs at least once every two years. Generally, we believe this is a reasonable time to assess the suitability of our KPIs and update to reflect any changes in our business or any feedback from you.

In conducting these reviews, we will seek feedback from you, our customers and other stakeholders, to understand your thoughts on the latest version of our KPIs and also provide information on any proposed modifications.

As set out above, we will also seek to further explore the development areas we have already identified to further improve the KPIs on an ongoing basis.

In the first instance, we anticipate reviewing our KPIs in the summer/autumn of 2014. Whilst we will only have one complete year of data at this stage, we are

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conscious that we have been limited in the consultation we have been able to carry out in developing these proposals and are keen to seek your views on our initial set of KPIs, as well as how these can be further developed or enhanced.

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Table 1: Proposed Key Performance Indicators – A Summary

Ref	SHE Transmission Commitment and associated KPIs	Measure	Target
1	We will develop, maintain and operate our networks safely at all times.		
1.1	Reportable safety incidents for our staff and contractors and the general public	TRIR : Number	0.55 : 0
1.2*	Average duration of interruption per customer	Minutes	8.4
1.3	Transmission network outages planned in current year	Number	923
2	We will seek to provide our customers and stakeholders with the best possible service.		
2.1*	Stakeholder satisfaction survey score (overall)	%	70
2.2	Average working days to acknowledge written correspondence regarding general enquiries	Days	7
2.3	Number of complaints received and percentage resolved within 30 days	Number : %	24 : 100
3	We will maintain our commitment to delivering Value for Money across our activities.		
3.1*	SHE Transmission overall expenditure (actual vs. allowed, on a rolling basis)	£million	303.6
3.2	Major Transmission projects delivered within year	Number	1
3.3	Other Transmission projects delivered within year	Number	20
4	We will operate in a sustainable manner, with consideration to the long-term impact of our activities.		
4.1	Site environmental audits carried out	Number	135
4.2	Reportable environmental incidents	Number	0
4.3	Number of new trainee posts created	Number	24

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Table 1 (cont.): Proposed Key Performance Indicators – A Summary

5	We will build and maintain lasting, mutually beneficial relationships with those affected by our activities.		
5.1*	Timely submission of Connection Offers to System Operator	%	100
5.2	Approved suppliers located within licensee area	%	25
5.3	Volunteering days donated to the community	Days	161
6	We will work smarter, deploying innovative solutions where these can assist us in developing, maintaining and operating our networks.		
6.1	Network Innovation funded projects with two or more external collaborators and/or research providers	%	80
6.2	Learning from Network Innovation funded projects adopted as Business As Usual	Number	2
6.3	Business improvement measures and innovation put in place	Number	18
7	We will report regularly on our performance so you can assess how we are delivering on these commitments and our wider obligations.		
7.1	Annual performance against Our Commitments is reported on time, in an understandable format and covers our key outputs and obligations.	RAG	Green

Annex A

Proposed Key Performance Indicators – Definitions

Our Proposed KPIs

As described earlier, we have developed our KPIs to reflect performance against each of Our Commitments. This section provides further definition for these measures, as required.

KPI 1.1 Reportable safety incidents for our staff and contractors and the general public

This performance metric will measure the Total Recordable Injury Rate (TRIR) for both SHE Transmission staff and our contractors and is an HSE recognised approach to recording injuries in the workplace. The target for 2013/14 will be taken as an average of 0.55 per 100,000 man hours worked based on both staff and contractor hours over this period.

The TRIR is calculated using the following formula:

$$\text{TRIR} = \frac{\text{Number of Recordable Injuries} \times 100,000 \text{ hrs}}{\text{Hours Worked}}$$

The number of recordable injuries consists of reportable injuries, lost time incidents and medical treatment incidents, but exclude road traffic collisions (RTC's) for the purposes of this incentive.

In addition we will also report on any injuries to members of the general public and we have set a target for this of zero.

KPI 1.2 Average duration of interruption per customer

The metric specified measures the average duration of an interruption that a customer connected to our transmission network experiences during the year. It is calculated by the total duration of interruptions (in minutes) divided by the total number of our customers affected. However, the target figure of 8.4 minutes excludes exceptional events where these have been notified to and agreed by Ofgem.

KPI 1.3 Transmission network outages planned in current year

This metric will measure the number of planned outages against the target specified. The planned outages will facilitate the necessary project and maintenance work required on the transmission network. For the purposes of this target, an outage is defined as each individual booking agreed with the System Operator for us to get access to our transmission network and can range from a single day to a number of weeks.

We recognise the impact that outages have on network users and other network owners/operators and this metric is intended to drive improvements in minimising unplanned outages and promote improvements in the coordination and planning of the outages required.

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KPI 2.1 Stakeholder satisfaction survey score (overall)

This metric will be taken from the findings of the stakeholder satisfaction survey as described in this paper and will be our score in relation to overall stakeholder satisfaction.

KPI 2.2 Average working days to acknowledge written correspondence regarding general enquiries

In feedback received from recent stakeholder consultation we recognise that we need to respond to enquiries in as short a timescale as practicable. Therefore we will acknowledge and respond where possible, within the target set of seven working days for all general enquiries to SHE Transmission.

KPI 2.3 Number of complaints received and percentage resolved within 30 days

We have developed a new complaints handling database to monitor the number and type of complaints received within SHE Transmission. This will allow us to closely track any complaints received and ensure that they are satisfactorily closed out as soon as possible. In addition we have also specified a target of 30 days to resolve any complaints received. This will appear as a dual target for this metric alongside the target for the number of complaints

received. However, only the first part of the scores (i.e. the relationship between the target number of complaints and the actual complaints received will feed into the score).

KPI 3.1 SHE Transmission overall expenditure

We will calculate our overall expenditure as our total capex plus total opex approved by Ofgem for the year in nominal prices, excluding depreciation and rates. To assist stakeholders to assess our performance in totality, we will include our allowance for projects funded under TIRG and therefore this definition does not match the adopted total expenditure (often referred to as 'totex') definition.

We will use the Final Proposals for SHE Transmission in April 2012 and adjust the baseline allowances for additional funding agreed through the uncertainty mechanisms within the price control settlement.

KPI 3.2 Major Transmission projects delivered within year

This metric will measure how many Major Transmission projects are delivered in the reporting year. These will include those projects funded under specific Ofgem incentives which include Strategic Wider Works (SWW); Transmission Investment for Renewable Generation (TIRG); and Transmission

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Investment Incentives (TII). Projects within this group are the higher profile projects such as Beaully – Denny and Beaully – Mossford which attract interest from a wide range of interested parties. We define the year that a project should be delivered in as the year specified by Ofgem in our licence conditions. Delivery will mean the primary plant associated with the project has been commissioned onto the transmission network in order to achieve our outputs as specified in our licence.

KPI 3.3 Other Transmission projects delivered within year

This performance metric will measure how many Other Transmission projects are delivered in the reporting year and these include works to develop specific connections to our network; projects to support these connections (enabling works) and projects to update existing assets. We define the year that a project should be delivered in for these projects as the year required under our contractual arrangements with National Grid or as part of our annual work programme. Delivery will mean the primary plant associated with the project has been commissioned onto the transmission network.

KPI 4.1 Site environmental audits carried out

In order to monitor our sites, environmental audits will be undertaken by SHE Transmission staff. The target set will ensure that our high standards, as well as the trust developed with our stakeholders who provide consents and have direct responsibilities for the environment, are maintained.

KPI 4.2 Reportable environmental incidents

To be transparent on how well we are performing in relation to environmental incidents, we will measure and report on the number of reportable incidents that may occur on our sites. The definition of reportable for this metric is as per the EA / SEPA Category 2 incident as detailed in the SEPA Compliance Scheme Assessment Manual (Table 5) namely:

Any lower ranking incident that (any of):

1. gives rise to multiple complaints
2. affects protected species or their habitat
3. releases 100s of litres of oil to land
4. releases 10s of litres of oil to water
5. materially discolours a watercourse type 1 (marked on the 1:50000 OS mapping)
6. arises from a systematic failure of waste management systems which involves hazardous or special waste and releases of SF6

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7. ELC (Environmental Limit Conditions) Gross Breach as defined in the SEPA Compliance Scheme Assessment Manual, Table 3
8. ELC repeated minor breach as defined in the SEPA Compliance Scheme Assessment Manual, Table 3
9. Planning condition breach giving rise to multiple complaints
10. Undertaking of a prohibited activity.

These will relate to all incidents that SHE Transmission is required to report, including our contractors working on our behalf.

KPI 4.3 Number of new trainee posts created

This target will highlight the number of new trainee posts provided during the reporting year and will include engineering and craft trainees.

KPI 5.1 Timely submission of Connection Offers to System Operator

This measure will reflect the percentage of offers provided to the System Operator as per the timings set out in the System Operator – Transmission Owner Code (STC).

KPI 5.2 Approved suppliers located within the licensee area

This metric will provide a percentage of the approved suppliers that are located within our licensed area, based on our vendor database, at the end of the reporting year.

KPI 5.3 Volunteering days donated to the community

SHE Transmission is actively encouraging its staff to spend time working on community projects. This KPI will measure the number of days taken by our staff to carry out work on approved community projects.

KPI 6.1 Network Innovation funded projects with two or more external collaborators and/or research providers

This metric will measure the number of NIA and NIC projects that SHE Transmission are working on collaboratively over the year.

KPI 6.2 Learning from Network Innovation funded projects established as Business-As-Usual

It is important to turn learning from innovation into business-as-usual promptly. This measure will record the number of NIA or NIC projects that have been adopted within SHE Transmission, including where learning has been adopted from the projects carried out by other Network Operators.

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KPI 6.3 Business improvement measures and innovation put in place

This metric will record the number of business improvement measures and innovation opportunities (outside Ofgem innovation mechanisms) that SHE Transmission staff put in place over the course of the year.

KPI 7.1 Annual performance against Our Commitments is reported on time, in an understandable format and covers our key outputs and obligations

This final metric will report on the RAG assessment of our timely reporting of our annual performance summary and the content and format of that summary.

GREEN – summary report is issued to our stakeholders and placed on our website ahead of schedule, or on time, and the content reported is of sufficient detail and format to meet the expectations of the majority of our stakeholders. We will use our survey to assess whether we have met our stakeholders' expectations and will consider a score of six or greater from 50% or more of respondents as meeting the expectations of the majority of our stakeholders.

AMBER - summary report is issued to our stakeholders and placed on our website within twenty working days of the target but the content reported is of sufficient detail and format to meet the expectations of our stakeholders as described under GREEN.

RED - summary report is issued and placed on our website behind schedule by more than twenty working days and/or the content reported is not of sufficient detail and/or format to meet the expectations of our stakeholders.

Annex B

Proposed Key Transmission KPIs - Methodology

Measuring our Performance

These performance measures constitute one of three components comprising the Stakeholder Satisfaction Incentive. To support a clear and transparent calculation of the incentive, our methodology develops a single “bottom line” figure, which we refer to as the aggregate performance score, to represent the KPI component and this is reflected by the term $SKPI_{t-2}$ in our licence.

The development of these KPIs has taken into account a number of factors:

- The specific measures and the outputs they produce for our stakeholders
- The performance level target in each area; based on our stakeholders’ expectations and our previous performance in these areas.
- The weighting applied to each KPI according to its importance and
- The final rating, which is an aggregate score, which will determine the incentive for when we perform well and the penalty when we do not.

Annex A describes the measures we have chosen and, while some may be more focussed on inputs than outputs, we believe they serve as a gauge of what our stakeholders have come to expect from us. This annex explains the development of our

performance level targets, our weighting criteria and our final rating calculation.

Performance Targets

Our performance targets are intended to challenge ourselves to improve in a continuous manner. SHE Transmission has long established innovation and business improvement mechanisms that are driven by the targets we set ourselves. Balancing the performance needs of our stakeholders against the cost to them of delivering that level of service is a deciding factor on what we aim to achieve.

The table on pages 13 and 14 provides a summary of the KPI’s and the proposed targets set for 2013/14.

Percentage Score

The calculated percentage score compares the actual score against each allocated target which evaluates the performance of each individual KPI. In addition, we have also used a RAG status to monitor and drive continuous improvement for each KPI.

Weighting

The fifteen proposed contributory measures are divided into two tiers for weighting purposes. This enables us to bring our stakeholders’ priorities to the fore.

Stakeholder Satisfaction Incentive

Proposed Key Performance Indicators – Methodology

The two categories are:

1. The first tier of measures are each accorded a 10% weighting of their score. These measures are selected for their direct impact on our stakeholders and for their criticality to our core objectives as described in our Business Plan.
2. The second tier of measures are each accorded a 5% weighting of their score. These are identified as having an indirect or narrow impact on our stakeholders, or may be considered as inputs.

We believe that limiting the categories to two, balances the need to give some factors a higher profile, whilst ensuring that no single measure has a negligible influence on our final score. The weightings of our KPIs are shown in the “worked example” table on page 22.

Rating

We have proposed to allocate each individual measure a rating on a scale of 0 to 3 depending on how they each perform against their targets. The main advantages of this are that it limits the distorting influence of any statistical outliers by allocating an absolute maximum score. Ratings are assigned according to the percentage banding shown below:

- 0 Performance is below 49% of target
- 1 Performance is between 50% and 68% of target
- 2 Performance is between 69% and 89% of target
- 3 Performance is above 90% of target and above.

The scores from each of these fifteen contributory KPI's are added together to provide the Aggregate Performance Score.

Further Explanatory Notes

- All contributory KPI items are weighted Tier 1 or Tier 2
- All contributory KPIs with target met or exceeded will be scored as 3
- The total overall score is calculated by adding up all contributory KPIs scores
- The aggregate score % for KPIs is calculated by dividing the total overall score with the number of contributory KPIs
- RAG scoring is as per the definition section above

Type of calculation	Formulae
% score	Difference between Target / Actual or Actual / Target
Scoring for every KPI	Based on rating
Total overall score	Sum of all KPI ratings
Aggregate score % for KPIs	Total aggregate score / No. of contributory KPIs

In addition, the spreadsheet that we have developed to calculate our score has been provided to Ofgem.

Annex B

Proposed Key Transmission KPIs - Methodology

Supporting KPIs For SHE Transmission's Commitments 2013/14 (Proposed methodology to calculate aggregate score) (Worked example for demonstration only)								
1 We will develop, maintain and operate our networks safely at all times.								
KPIs		Measure	Incentivised Elsewhere?	Target Annual Score	Illustrative Actual Annual Score	Percentage Score	Weight	Rating per KPI
1.1	Reportable safety incidents for our staff and contractors and the general public	TRIR - Number	N	0.55	0.55	100%	5%	3
1.2	Average duration of interruption per customer	Minutes	Y	8.4	9.5			
1.3	Transmission network outages planned in current year	Number	N	923	874	106%	10%	3
2 We will seek to provide our customers and stakeholders with the best possible service.								
KPIs		Measure	Incentivised Elsewhere?	Target Annual Score	Illustrative Actual Annual Score	Percentage Score	Weight	Rating per KPI
2.1	Stakeholder satisfaction survey score (overall)	%	Y	70%	68%			
2.2	Average working days to acknowledge written correspondence regarding general enquiries	Days	N	7	7	100%	5%	3
2.3	Number of complaints received and percentage resolved within 30 days	Number : %	N	24	15	160%	5%	3
3 We will maintain our commitment to delivering Value for Money across our activities.								
KPIs		Measure	Incentivised Elsewhere?	Target Annual Score	Illustrative Actual Annual Score	Percentage Score	Weight	Rating per KPI
3.1	SHE Transmission overall expenditure (actual vs allowed, on a rolling basis)	£m	Y	£303.6	£303.6			
3.2	Major transmission projects delivered within year	Number	N	1	1	100%	10.00%	3
3.3	Other transmission projects delivered within year	Number	N	18	16	89%	10.00%	2
4 We will operate in a sustainable manner, with consideration to the long-term impact of our activities.								
KPIs		Measure	Incentivised Elsewhere?	Target Annual Score	Illustrative Actual Annual Score	Percentage Score	Weight	Rating per KPI
4.1	Site environmental audits carried out	Number	N	135	125	93%	5%	3
4.2	Reportable environmental incidents	Number	N	0	1	0%	10%	0
4.3	Number of new trainee posts created	Number	N	24	20	83%	5%	2
5 We will build and maintain lasting, mutually beneficial relationships with those affected by our activities.								
KPIs		Measure	Incentivised Elsewhere?	Target Annual Score	Illustrative Actual Annual Score	Percentage Score	Weight	Rating per KPI
5.1	Timely submission of Connection Offers to System Operator	%	Y	100%	100%			
5.2	Approved suppliers located within licensee area	%	N	25%	20%	80%	5%	2
5.3	Volunteering days donated to the community	Days	N	161	150	93%	5%	3
6 We will work smarter, deploying innovative solutions where these can assist us in developing, maintaining and operating our networks.								
KPIs		Measure	Incentivised Elsewhere?	Target Annual Score	Illustrative Actual Annual Score	Percentage Score	Weight	Rating per KPI
6.1	Network Innovation funded projects with two or more external collaborators	%	N	80%	75%	94%	5%	3
6.2	Learning from Network Innovation funded projects adopted as Business As Usual	Number	N	2	1	50%	5%	1
6.3	Business improvement measures and innovation put in place	Number	N	18	15	83%	10%	2
7 We will report regularly on our performance so you can assess how we are delivering on these commitments and our wider obligations.								
KPIs		Measure	Incentivised Elsewhere?	Target Annual Score	Illustrative Actual Annual Score	Percentage Score	Weight	Rating per KPI
7.1	Annual performance against Our Commitments is reported on time, in an understandable format and covers our key outputs and obligations.	RAG	N	GREEN	GREEN	100%	5%	3
Not Applicable								
Total overall score				36				
No of KPIs not incentivised elsewhere				15				
Aggregate score % for KPIs				80%				
Aggregate Performance Score (Total Overall Weighted Percentage)				85%				