

Engaging for a better business: Our framework for engagement

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Our key stakeholder engagement activities this year

Stakeholder Engagement Policy, Strategy and Implementation Plan developed and endorsed at Director level

Stakeholders identified, mapped and segmented

Conclusion of engagement on development of RIIO-T1 business plan

First stakeholder engagement surveys completed

Customer Commitments developed and consulted upon.

Ongoing programme of direct engagement relating to our major construction projects

Active engagement with organisations to inform network planning

Stakeholder engagement processes independently audited

I am pleased to present Scottish Hydro Electric Transmission's first submission under our new stakeholder engagement incentive scheme.

The success of SHE Transmission is dependent on effectively engaging with our stakeholders. Of that I am convinced. Whether working with our suppliers to make sure we have the resources available to deliver what could be a £5bn investment programme, talking to developers of renewable generation to agree timescales for connections, or working with organisations to protect our environment, we know working closely with our stakeholders is essential for our business to deliver on its promises to customers.

In this, our 70th year, I have been reflecting on how we have worked with communities since our earliest days. Much of our business was built on strong relationships with other organisations and individuals and the importance of those types of relationships continues today. However, I am now committed to managing our relationships with stakeholders in a new, more structured way to ensure that stakeholder views are able to influence our business decisions.

A robust approach

Our new approach is carefully designed to be in line with our company's long-standing values of Safety, Service, Efficiency, Sustainability, Excellence and Teamwork. We have created a skilled and experienced team to head our engagement activity, who with support from Transmission colleagues, deliver a programme of engagement which makes it easier than ever for stakeholders to tell us what they think of our business plans.

On a practical level, we are introducing a robust stakeholder engagement system which allows us to follow up on the issues our stakeholders raise with us and to make sure that where we can, we incorporate their views in our business. Where we can't, we will take time to explain why we are unable to do so.

Shaping our business plan through engagement

Our engagement with stakeholders during the development of our RIIO-T1 Business Plan this year took our interaction with people interested in our business to a new level. Through a series of workshops and written consultations, we used our stakeholders' involvement to adapt and refine our proposals such that the final proposals more closely reflected the ambitions and wishes of our stakeholders.

Engaging for improvement

We have also undertaken our first stakeholder surveys, which have allowed us to identify a wealth of opportunities to improve how we do business. It will take some time to put all those improvements in place, but we will do so, and in our future surveys, we will seek feedback on the changes we have made.

Formalising our commitments

To summarise: we have a long history of working with our stakeholders to improve our business, but this year we have set our commitment in stone. We have introduced a formal Stakeholder Engagement Policy, a Strategy and an Implementation Plan to which I am committed. However, I want to be clear that these rules and regulations complement, rather than replace the activity we have been involved in for 70 years: working with stakeholders every day to make sure we run our business in a way that supports growth in our communities and, most importantly, makes sure the lights stay on.

David Gardner
Director of Transmission

Establishing a framework

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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.

Our Stakeholder Engagement Policy

This year, we introduced our Stakeholder Engagement Policy. Approved by our Board, it 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: 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 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.

Appendix 1: Our Stakeholder Engagement Policy.

Our Stakeholder Engagement Strategy and Implementation Plan

In March 2013, our Board also approved our Stakeholder Engagement Strategy and Implementation Plan. This sets out how we will deliver the objectives described in our policy.

Stakeholders shaping our Strategy

In developing our Strategy, we have considered what stakeholders have told us through our RIIO-T1 business plan consultations, through our first stakeholder survey and through engagement in our business as usual activities.

Stakeholders want us to understand what their interests are and contact them only in relation to issues which are of relevance to them. Their time and resources are precious and they need to understand easily and quickly what we are asking of them, and to have a method of engaging with us that suits their needs. We have also learned that whilst there are stakeholders who clearly have a significant interest in our business, we must work to identify individuals and organisations, not yet known to us, with whom it could be helpful to engage. To achieve this, and to make sure that SHE Transmission engages efficiently, effectively and keeps costs down, we established the first three aspects of our strategy.

1. Identifying our stakeholders

We have developed a list of stakeholders who we felt could add particular insight into our business. We have created are developing a contact and record management system to enable us to actively manage engagement across the business. This will be managed in accordance with our Data Protection Standard.

2. Understanding our relationship with our stakeholders

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

3. Actively engaging our stakeholders

We offer a range of ways to engage with us, tailored to the wishes of our stakeholders. We aim to continually monitor and evaluate our mechanisms of engagement to ensure they sustain constructive engagement. We also aim to increase the number and diversity of stakeholders with whom we engage.

Our early engagement has also demonstrated that we need to help stakeholders understand the role our business plays and the implications our activities may have for their organisation. Stakeholders particularly sought transparency about our activities. These findings informed the fourth and fifth aspects of our engagement policy:

4. Informing our stakeholders

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.

5. Listening and responding to stakeholders

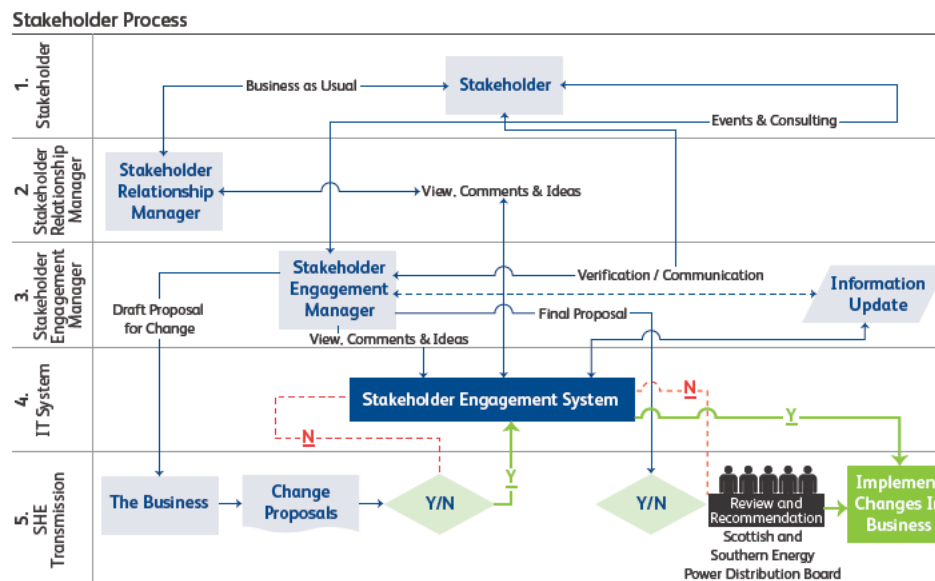
We aim to publish key themes arising from our stakeholder consultation processes and our response to them so that our stakeholders know what action we will be taking to improve our business.

A final important outcome of our engagement with stakeholders has been a realisation that we need to make it much easier for people to contact us, both on day to day business and in relation to our engagement work. We also have become much more conscious of the importance of talking in language that is easy to understand. This shaped the final aspect of our strategy.

6. Being accessible to our stakeholders

We are committed to being open and easy to talk to. We want to make sure our stakeholders can contact the right person easily. We will write in plain English and avoid jargon.

Appendix 2: Our Stakeholder Engagement Strategy and Implementation Plan



Our process

We are introducing a robust process for recording our engagement with stakeholders and the journey of their input through: its consideration within SHE Transmission; the ways in which we change our business as a result of our stakeholders' views and suggestions; and completing the loop by seeking views from our stakeholders on the action we have taken.

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 will use the information from these interactions, to assess how 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 greater stakeholder opinion and some will be agreed as feasible.

4. We will liaise with the stakeholder, proposing what we can do to better meet their needs, and explaining where we can't comply with their requests.

5. The developed proposals are submitted to our Board, and on approval, are implemented.

Identifying our stakeholders and understanding our relationships

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Principal Stakeholders

- UK Government
- Scottish Government
- Supply chain participants
- Landowners
- Statutory consultees
- National Grid
- Electricity Networks Strategy Group
- Trade Bodies
- Developers
- SHE Transmission employees
- Ofgem

Community Stakeholders

- Consumer groups
- Communities
- Local Authorities
- Elected Representatives

Significant Stakeholders

- Innovation community
- Scottish Power Transmission
- Non-governmental organisations

Others Stakeholders

- Media
- Energy suppliers

In order that we can plan an effective programme of engagement which is cost effective and proportionate, we have categorised stakeholders based upon our existing relationships with them and also the level of influence they will exert on our business plan 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.

UK and Scottish Governments

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

Supply chain participants

We have identified supply chain issues as being 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. We will engage with stakeholders to help us work effectively together to achieve this.

Landowners

We aim to maintain and evolve our relationship with landowners in order that we can deliver our investment programme in a timely and cost effective way and maintain our assets. We want to understand how we can ensure we undertake our operations responsibly, in a way that minimises the impact on landowners.

Statutory consultees

We will continue our programme of effective engagement with our statutory consultees. This activity relates primarily to the development of new projects as we expand our network to accommodate the large amount of new renewable electricity generation seeking access to our network.

National Grid

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

Electricity Networks Strategy Group

The ENSG is jointly chaired by the Department of Energy and Climate Change (DECC) and Office of Gas and Electricity Markets (Ofgem) and its broad aim is to identify and co-ordinate work to help address key strategic issues that affect the electricity networks in the transition to a low-carbon future. We are a member of this high level forum and use this forum to update the Group on issues relevant to our network.

Trade Bodies

We will engage with Trade Bodies in order to ensure that the consensus view of their membership is considered when we make decisions.

Developers

We are committed to working with developers and their representatives to ensure that their views are taken into account. We aim to make sure that developers receive notification, either directly or via the Trade Body to which they are affiliated, when we have news that is of significance to them.

SHE Transmission employees

We are undertaking our most intense period of development since the 1950s. It is vital that we take our colleagues on the journey with us; as they are the face of the company. 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 will introduce ways in which their ideas can be incorporated.

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.

Creating and Delivering on our Implementation Plan

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Efficient engagement

Developing communications methods to reduce paper usage

Use of video conference where feasible

Travelling only where it adds real value

Co-ordinated stakeholder engagement activities with our Distribution colleagues

Sharing best practice with our Distribution colleagues

Shared resources, including IT systems

Our implementation plan is designed 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; to share news about the activities our business is undertaking; and to help us make well-informed and sustainable decisions.

We are conscious that our stakeholders' time is precious and that in many cases they are being invited to engage with an increasing number of organisations. Whilst we believe that time spent engaging with businesses like ours will ultimately deliver rewards for the parties involved, we strive to make the engagement process as simple and convenient as possible.

With these aims in mind, our engagement plans aim to make the best possible use of our stakeholders' time and align with their own activities and interests.

Efficient engagement

We aim to engage with customers in a way that adds value and avoids wasting money, materials, energy or time. All of our activities are planned with this in mind.

Working together for efficiency

Our Stakeholder Engagement Team works closely with our Distribution business' team to maximise benefits for stakeholders and minimise costs for customers.



Tailored engagement

We are conscious that there are many demands on our stakeholders' time and we plan our engagement activity to allow stakeholders to contribute to shaping our business in a way that suits them.

Our guiding principle is that we will, where possible, go to our stakeholders rather than asking them to come to us. That means that much of our engagement is undertaken in one-to-one meetings, or at events which are already part of our contacts' calendar. This is based on feedback gained through our qualitative and quantitative surveys which made clear that stakeholders value the professional working relationships they have with individuals in our organisation.

We also respect stakeholders views about the ways in which they would like us to engage with them, and aim to engage with each stakeholder in the way which suits them best. This includes options such as whether to receive consultations in paper or electronic format, and if they prefer documents to be emailed to them or to receive a link to the relevant web page.

Whilst we aim to minimise stakeholders' time away from their workplace or home, we believe there is value in a small number of events which allow groups of stakeholders to focus on electricity transmission, further their understanding of this part of the energy industry and consider how they would like us to evolve our business to better suit their needs.

We also recognise that we need to listen and act on the views of a wide range of stakeholders, including those who are new to us, or have not yet interacted with us. We will therefore work to expand our stakeholder contacts to make sure that a wide range of interests are represented and that people who are new to us have their views heard.

Appendix 3: A summary of our engagement in 2012/13 sets out the tailored engagement we have undertaken with our identified stakeholder groups in 2012/13.

Our current engagement methods

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

Future engagement activities

- Annual Stakeholder Summit

Our stakeholder surveys

In 2012, we commissioned our first Stakeholder Surveys. The surveys, which were carried out by an accredited independent third party, were undertaken to help us understand what stakeholders perceive to be the organisation's strengths and weaknesses, and to gain an understanding of stakeholders' overall satisfaction with us.

Our qualitative survey

In June and July 2013, 15 in-depth interviews were carried out with a range of stakeholders to help us understand what issues are important to our stakeholders and so inform future research.

The survey considered stakeholders' relationships and interactions with us; stakeholder's perception of our performance in relation to our core values; and their perception of the value for money offered by us.

Qualitative stakeholder survey: key findings

Strengths

- Good business relationships
- Face to face meetings
- High quality staff

Weaknesses

- Not taking into account views of others
- Lack of transparency
- Staff hard to contact as they are too busy

Appendix 4: Our first qualitative survey of stakeholders

Our quantitative survey

Our quantitative survey built on the findings of the preceding qualitative research, focusing on the areas identified as most important to stakeholders.

40 interviews were achieved by the researchers, representing 18% of the provided stakeholder sample.

The Survey's key result was that stakeholders' overall level of satisfaction with their engagement with us was 7.2 (on a scale of 0-10). The senior management team welcomed this as a starting point for improvement.

More details on our Stakeholder Survey, and the action taken in response to its findings are provided in Part 2 of this Submission.

Quantitative stakeholder survey: key findings

Highest scoring features: Politeness, technical expertise and commitment to safety

Lowest scoring features: Ease of contact, flexibility, ease of understanding of connections process

Stakeholders' overall satisfaction with their engagement with us: 7.2 / 10

Appendix 5: Our first quantitative survey of stakeholders

Developing our Business Plan

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2012/13 saw the final stages of the consultation-led creation of our Business Plan for the RIIO-T1 price control period from 1 April 2013 to 31 March 2021.

Prior to the creation of our Business Plan, we went through a staged consultation process to raise awareness of the issues we faced and feedback we required or had received. Following a pre-consultation exercise, we consulted via a Green Paper, then a White Paper, before submitting our Business Plan to Ofgem in July 2011.

In January 2012, we published an update document in which we set out our proposals for 'Keeping the lights on and supporting growth' across the north of Scotland during the RIIO-T1 transmission price control period. Further stakeholder views were sought through our Summer 2012 consultation document which was based on the work we had done since January 2012. All stakeholder comments and suggestions were given full consideration throughout the development of our business plan and shaped our priorities, and what we plan to do in relation to those priorities.

Evolving and expanding our engagement

In 2013/14, we will introduce new engagement activities which will allow stakeholders to focus on electricity transmission in a way that we believe will be valuable for everyone involved.

Our Stakeholder Summit

We propose to introduce an annual event which will provide a large number of stakeholders an opportunity to discuss, debate and learn about a wide range of Transmission issues. We will seek stakeholder views on this idea and tailor the content of such an event in line with their preferences.

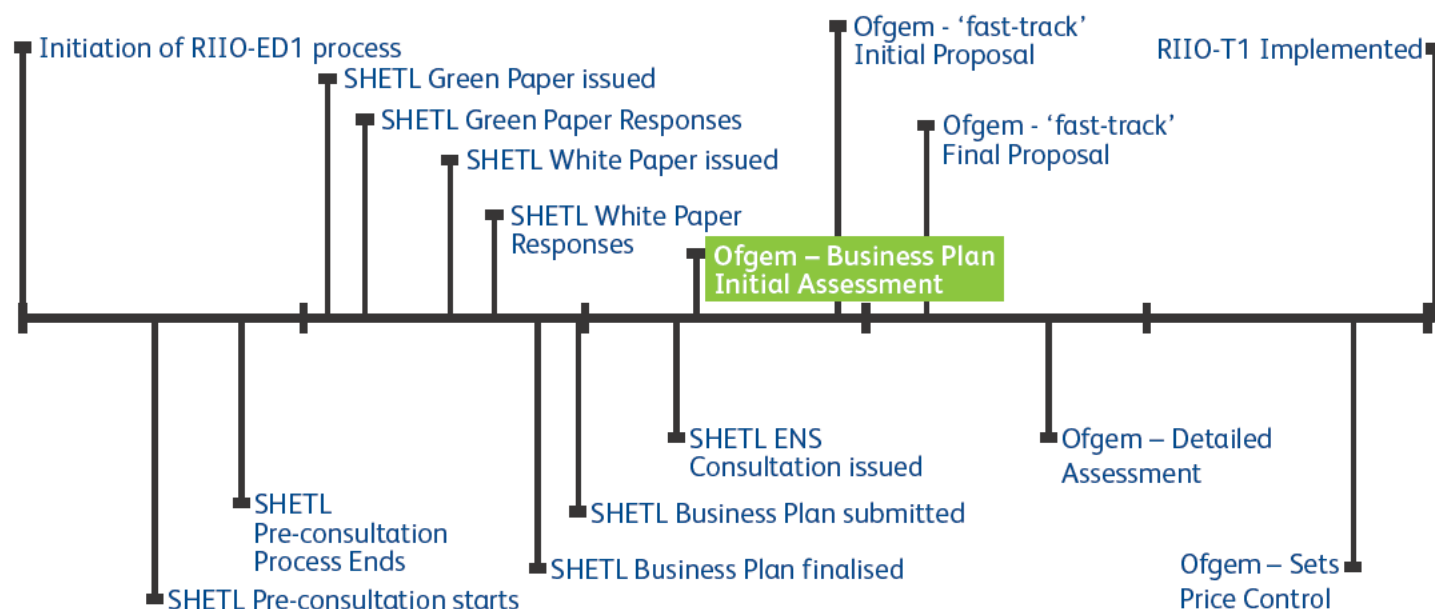
Tailored reporting

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. This will complement our existing reporting activity.

Project-based engagement

Effective engagement with communities is key to the delivery of our major transmission projects. Each of our projects has a dedicated community liaison officer who works with us and the local community to ensure that our projects are delivered in a way that is acceptable to local people and businesses and maximises the benefits that the project brings to their area. Our approach is proactive, and engagement extends from the earliest community consultations, prior to plans being submitted for consent, to commissioning and beyond.

RIIO-T1 Price Control Review Process Timeline



Our Customer Charter

In our 2013 Summer Consultation we proposed a Customer Charter comprising seven Commitments which make clear the standards to which we pledge to operate our business. The Charter has its roots in SSE's Corporate Values and was heavily influenced by the findings of our first Stakeholder Survey

As part of our Summer Consultation, the draft Charter was shared with our stakeholders registered on our database, and publicised on our website.

The draft Charter was widely accepted by stakeholders, with only one stakeholder suggesting any amendment to the wording. We are now formalising our Customer Charter and will work to ensure that we comply with the commitments we have made to our customers and stakeholders

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.

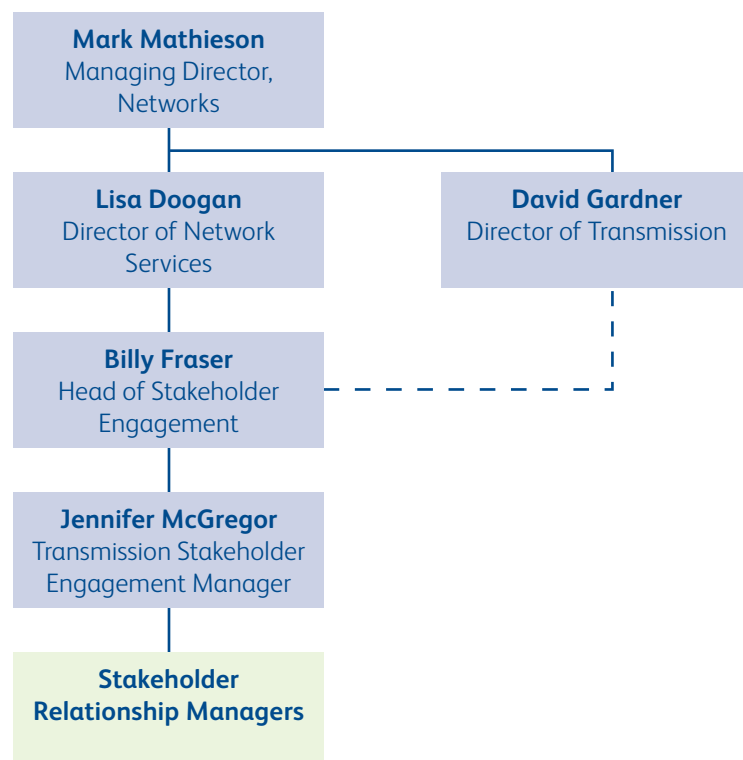
We will work with the innovation community to identify, develop and deploy new technologies and techniques that bring benefits to those impacted by our networks.

(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.

An experienced team

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To deliver an effective programme of stakeholder engagement, including 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 experience, project management experience and stakeholder engagement expertise and change management skills.

Billy Fraser Head of Stakeholder Engagement

Billy brings 35 years of project management experience in the energy industry to this role, and leads the newly-formed Stakeholder Engagement team having been Scottish and Southern Energy Power Distribution's Head of Performance Improvement since 2006.

Jennifer McGregor Transmission Stakeholder Engagement Manager

Jennifer took up this role having headed communications for Scottish and Southern Energy Power Distribution's Future Networks Team, which followed thirteen years in the company's Corporate Affairs and Regulation teams. Stakeholder engagement has been a key part of all of Jennifer's roles within SSE, including in relation to renewable energy developments, networks projects and innovation.

Strong lines of command

Stakeholder engagement is central to SHE Transmission's future success and this is reflected in the placement of the Stakeholder Engagement team within our business. Our Head of Stakeholder Engagement reports to our Director of Network Services, who in turn reports to our Managing Director of Networks. The Head of Stakeholder Engagement also has links to the Director of Transmission. Along with our stakeholder engagement processes, this ensures that the views of our stakeholders are considered at the highest levels within our organisation.

Our Stakeholder Relationship Managers

One of the strongest messages delivered by our Stakeholder Surveys was that our stakeholders find our staff polite, professional and knowledgeable, with excellent technical expertise. In engaging with our stakeholders, we believe that we should play to these strengths and build on the value which exists in the business relationships between our employees and our stakeholders.

In line with this approach, we have identified some of our most experienced colleagues as Stakeholder Relationship Managers. This formalises the role they play in working with stakeholders, and allocates to them responsibility for evolving our relationships with clearly identified groups of stakeholders.

The Stakeholder Engagement Team is working with the 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 will also ensure that the Stakeholder Relationship Managers' engagement activities fit with our Stakeholder Engagement Strategy and Implementation Plan.

The Stakeholder Engagement Team will coordinate activities and events which involve multiple stakeholder groups, such as our planned Stakeholder Summit and multi-topic consultations and surveys. Stakeholder Relationship Managers will play a supporting role in these activities.

Audit and Accreditation

In 2012/13, we undertook a range of activities relating to independent verification and accreditation of our stakeholder engagement activities.

Independent Audit

As part of a project undertaken by SSE's Group Audit team, in March 2013, the Stakeholder Engagement processes we share with our Distribution business were audited.

The relevant audit activities were:

- Assess Engagement Strategy;
- Review Risk Management process;
- Assess the process of identifying relevant Stakeholders;
- Review engagement strategy to inform and obtain feedback from Stakeholders;
- Review Change Management process with regard to Stakeholder feedback;

The auditors concluded that the necessary processes and procedures are in place and effectively managed.

The independence of SSE Group Audit is outlined in a formal SSE Group policy which was authorised by the SSE Audit Committee.

"The Group Audit department exists as an independent appraisal function within SSE to examine and evaluate Group activities."

The SSE Group Audit Charter

ISO 9001

In 2012/13, we decided to pursue ISO9001 certification in relation to our stakeholder engagement processes. We believe this will demonstrate that we are working effectively to meet the needs of customers and other stakeholders while simultaneously meeting the relevant statutory and regulatory requirements relating to our activities.

Extensive work has been undertaken in 2012/13 to ensure that our processes and procedures are of a quality which we believe should allow us to gain ISO9001 certification. An ISO9001 audit is scheduled to take place in May 2013.

AA1000 Stakeholder Engagement Standard (AA1000SES)

We aspire to engage with customers in a way that meets the standards set out in the AA1000 Stakeholder Engagement Standard; features of quality stakeholder engagement as identified in the Standard are shown below. AccountAbility, the organisation behind the Standard describe it as 'a generally applicable framework for the design, implementation, assessment and communication of quality stakeholder engagement.'

Features of quality stakeholder engagement

Clearly defined scope

Agreed decision making process

Focused on material issues

Creating opportunities for dialogue

Integral to organisational governance

Transparency

Appropriate engagement processes

Timeliness

Flexibility and responsiveness

AA1000
Stakeholder Engagement Standard

Plain English campaign

We recognise that there is room for improvement in our written communications with stakeholders. To support that improvement, we are working towards corporate membership of the Plain English Campaign. Through this we will aim to make our documentation easier to understand and worthy of the campaign's 'Crystal Mark'. We will train up to 20 of our colleagues each year in how to communicate simply and effectively and will monitor the quality of our publications, including seeking feedback from stakeholders on the way our documents are written.

Document design

Feedback from our stakeholders through our survey suggests that most stakeholders would like the primary resource for information on our company to be our website, and that most of our contacts prefer to access documents on line rather than in hard copy. This document is presented in landscape format for ease of on-screen reading.