

Scottish Hydro Electric Transmission plc

2014/15

Stakeholder
Engagement
Report 2014/15

Placing stakeholders
at the centre of our
business

Foreword

I'm pleased to publish our second annual engagement report following a year of strong performance and a fresh approach to our stakeholder engagement activities.

As you'll see from our performance scorecard on page two, we've made significant progress since last year, which means we now compare favourably against the other Transmission Owners operating in Great Britain.



Although we are moving in the right direction, the evolving nature of the energy industry presents new challenges. The input of stakeholders is vital if we are to develop the innovative solutions that are needed to ensure the electricity network in the north of Scotland is fit for purpose now, and for future generations.

With intended investment of around £2.4 billion in electricity infrastructure by 2021, we have a huge responsibility to operate efficiently and effectively to keep costs at a minimum for energy consumers across Scotland.

Improving our approach

This year we've adapted the way we do things, focussing our engagement on three levels – Strategic, Organisational and Operational. We've already found this improvement has added greatly to our activity. From an international and European level right through to local communities, we're working to ensure the interests of our stakeholders are incorporated into our business and reflected in the decisions we take.

Our ambition is to effectively lead on the biggest issues facing the industry in Great Britain. In 2015/16 we will be further restructuring our approach to engagement to focus on specific issues, which we believe will lead to significant benefits to SHE Transmission and stakeholders alike.

That's why over the next year we'll be focussing closely on how best to increase our stakeholders' representation and influence at the highest levels of decision making within the company.

David Gardner
Director of Transmission

How we are regulated

As the monopoly Transmission Owner (TO) for the north of Scotland, we're regulated by Ofgem – the Office of Gas and Electricity Markets. Ofgem sets price controls that determine the services the three TOs in Great Britain – National Grid Electricity Transmission, SP Energy Networks and SHE Transmission – must provide and the amount of money TOs can earn over that period.

The current price control framework, RII0-T1, runs from 2013–2021. The RII0 model consists of the formula 'RIIO= Incentives + Innovation + Outputs' and is the basis for how our revenue is calculated.

How we are incentivised

To encourage good performance, we're incentivised, or penalised, financially across a range of measures on an annual basis.

1. Strategic Engagement

The annual stakeholder engagement incentive involves the submission of two written documents – an overview of our strategy and a summary of the activities and outcomes we've achieved as a result.

Both are then assessed, firstly by Ofgem, and then by an independent stakeholder panel, who make sure we've delivered on our commitments for the year.

2. Stakeholder satisfaction survey

Our survey invites stakeholders to let us know how we are performing across a range of measures, as well as asking stakeholders to rate their overall satisfaction with us.

The average score to this question determines if we have met our baseline target, and are eligible for either a financial reward or penalty.

3. Stakeholder Key Performance Indicators

Our KPIs are the measure by which customers and other stakeholders, including Ofgem, are able to understand and monitor the quality of service that we provide.

These targets are intended to challenge the way we operate to continually improve our service.

4. Stakeholder external assurance

Each year our stakeholder engagement activities undergo an external audit to make sure we are delivering the commitments we make in our engagement strategy and implementation plan.

Our performance is assessed as non-compliant, compliant or exceeding compliance.

Meeting our stakeholders' needs

Our engagement provides an invaluable insight into what our stakeholders think about our current performance, and what they expect from us in future. Actively engaging, listening, and then acting on what our stakeholders are telling us is vital if we are to provide the energy society needs in a safe, sustainable and economical manner.

Some of our highlights from 2014/15 include:

- Committed to Openlines, a new quarterly newsletter designed to create an inclusive forum for sharing knowledge and ideas with stakeholders
- Achieved the highest level of external assurance by exceeding compliance with our Stakeholder Engagement Strategy and Implementation Plan
- Adopted over 20 targeted action plans for improving stakeholder service, informed by our stakeholder survey
- Delivered stakeholder service training to almost 90% of SHE Transmission Employees
- Obtained the joint highest score for stakeholder satisfaction

How did we perform for 2014/15?

| Incentive | How we did 2013/14 | How we did 2014/15 | Our ranking 2013/14 | Our ranking 2014/15 | Our performance reward or penalty |
|--|--------------------|--------------------|---------------------|---------------------|--|
| Stakeholder Engagement reward Participating TOs SPT, NGET, SHET | 5.4/10 | 6/10 | 2 | =1 | rewarded £434,030 |
| Stakeholder Satisfaction survey Participating TOs SPT, NGET, SHET | 6.5/10 | 7.7/10 | 3 | =1 | rewarded £439,555 |
| Stakeholder KPIs Participating TOs SPT, SHET | 91% | 86% | 1 | 1 | rewarded £1,172,146 |
| Stakeholder External assurance Participating TOs SPT, SHET | 0.5* | 1** | =1 | 1 | rewarded £217,064 |
| * Compliance in delivering our Stakeholder Engagement Strategy and Implementation Plan. ** Exceeded compliance in delivering our Stakeholder Engagement Strategy and Implementation Plan. | | | | | 2013/14 £1,588,892 2014/15 £2,262,794 |

SHE Transmission Submission Document

Part 2: The outcomes and outputs

2

2014/15

Ofgem Stakeholder
Engagement
Incentive Scheme
2014/15

Placing stakeholders
at the centre of our
business

Engaging for a sustainable business

As my colleagues and I work to deliver new infrastructure needed to release the renewable energy potential of the north of Scotland, and to keep power flowing reliably every day, we do so with a new appreciation of the value of engaging effectively with stakeholders.

It's been a year of learning for us, as we have developed new ways of engaging, and delivered change that just a few years ago, we would not have imagined. We are grateful to all our stakeholders for their input.

Broadening our engagement horizon

In planning our engagement this year, we continued to consider our engagement on a stakeholder group-by-group basis, but we set ourselves the challenge of considering our engagement on three levels: Strategic, Organisational and Operational. That has really enriched our activity and has brought a much wider range of views to our decision making.

Our engagement activities have expanded, as we have stepped up to lead on engagement at the highest levels on the biggest issues that affect our business, and to ensure that the services we provide to domestic customers and small businesses are as good as they can be.

This report sets out our engagement activity for 2014/15, and the associated wealth of change we have delivered. We highlight some of the most significant changes we have introduced as a result of our engagement, and some of the new initiatives that are poised to make a big difference to our activity in the years ahead.

| | |
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Our future engagement

Our experience of the value that stakeholder engagement can bring to our business has really inspired me and my management team, and we are more committed than ever to continuing to build the views of our stakeholders into our decision making.

Looking ahead, whilst we'll retain many of the key elements of our engagement strategy, we are planning to evolve our approach to engagement with a new focus on specific issues, on which effective engagement can, we believe, deliver even greater benefits for both SHE Transmission and our stakeholders.



David Gardner
Director of
Transmission



| Assessment Criteria Key | |
|---|----------|
| Ofgem identified five Assessment Criteria which our initiatives are measured against using the following key | |
| Outreach To best serve specific interests of challenging groups of customers/communities/future stakeholders and result in measurable benefits | A |
| Innovative To reflect innovative thinking in responding to the needs of stakeholders | B |
| Embedded in our business Part of a holistic approach embedded in the business | C |
| Robust management Supported by robust project management processes and appropriate resources | D |
| Replicable Results from stakeholder engagement activities which may be recognised as smart practice and could be replicated across the industry | E |

Our Engagement Highlights

Strategic Engagement

Measuring economic, social and environmental impacts

Completing a £500,000 project, involving over 3,000 stakeholders, to measure the impacts of transmission line developments. [PAGE 3](#)

Building Certainty – the Enablers

Leading on an innovative programme of engagement with governments and other national stakeholders to address the development of new transmission connections to the outlying Scottish island groups. [PAGE 5](#)

Awarding Scotland's biggest Living Wage contract

Following work with national poverty campaigners and the Scottish Government amongst others, we have awarded the contract for our biggest ever construction project on a Living Wage basis. [PAGE 10](#)

Organisational Engagement

Outreach for safety improvement

Engaging workers on site and reporting verbatim their comments, leading to a step change in the way we support our contractors on safety matters. [PAGE 10](#)

Trialling 3D technology

Beginning a project to understand the value of using 3D technology to convey the visual impact of our proposals. [PAGE 3](#)

Operational Engagement

Improving compensation payment

Interviewing over 300 people about their experience of our compensation process and changing that process in response to their feedback. [PAGE 3](#)

Stakeholder Service Training

Involving almost 90% of our colleagues in a specially-designed stakeholder service training course which will deliver over twenty targeted action plans to improve the service we provide to stakeholders. [PAGE 6](#)

Strategy and Implementation Plan

This year we reviewed our approach to engagement, with the intention of ensuring that we engage effectively at the highest levels on the biggest issues affecting our business, in addition to continuing effective and efficient engagement on our more day-to-day activities.

Building on our group-by-group approach to stakeholder engagement (see below right), introduced for 2012/13, we now plan and undertake our engagement with each stakeholder group on three levels: Strategic, Organisational and Operational. By taking this three-level approach, we are now engaging effectively right from international and European level, through UK government and industry,

national organisations and ultimately to the communities and customers we serve.

In 2015/16 we will be restructuring our approach to engagement, with a focus on specific issues, on which effective engagement can, we believe, deliver significant benefits for both SHE Transmission and our stakeholders.

Engaging on multiple levels

Our three levels of engagement

In 2014/15, we shaped our engagement with each of our stakeholder groups around three levels of engagement:

Strategic Engagement

Our Strategic engagement concentrates on engagement with Scottish and UK governments and with the European parliament, and on issues involving multiple national organisations. Outcomes of our Strategic engagement are typically effected via changes to primary or secondary legislation, via licence changes or through new industry policies.

Organisational Engagement

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 Operational engagement activities will often have outcomes that affect how we work with local communities on particular issues or that change the way SHE Transmission colleagues operate.

Our Board: leading from the top

SHE Transmission is part of SSE plc's electricity networks business, known as Scottish and Southern Energy Power Distribution (SSEPD). The SSEPD Board is championing stakeholder engagement across all parts of the business. In addition to attending stakeholder events and leading on some of the highest level engagement SHE Transmission undertakes, Board members challenge their teams to engage with stakeholders in key aspects of their work, and demand regular updates on both engagement activities that are undertaken and the outcomes that result. The Board reviews and approves significant business changes that have been driven by engagement with stakeholders.

On the following pages we report on how we have engaged with each of our Principal Stakeholder groups, considering:

- The key issues on which we have engaged with each group
- How we have engaged on Strategic, Organisational and Operational levels
- The outcomes, and anticipated outcomes, of our engagement activity, both for SHE Transmission and stakeholders

Our principles of stakeholder engagement

1. Identifying our stakeholders

We have developed a list of stakeholders who we felt could 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.

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.

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.

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.

Principal Stakeholders

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

Community Stakeholders

Communities
Consumer groups
Elected representatives
Local authorities

Significant Stakeholders

Innovation community
Non-governmental organisations
Scottish Power Transmission

Other Stakeholders

Energy suppliers
Media

Communities and elected representatives

Residents
Community Councils
Local Businesses
Elected Representatives

Key issues

Economic development

We aim to operate sustainably, and wish to ensure that our construction programme leaves a legacy of social and economic benefits for the areas that host our assets.

Project matters

It is important that SHE Transmission conducts these activities in a way that is sensitive to the needs and wants of local people, while

still delivering effectively on its business plan commitments to facilitate the growth of renewable energy in the north of Scotland.

Supply reliability

SHE Transmission plays an important part in keeping the lights on in the north of Scotland. We know that people rely on us to keep the power flowing.

| Strategic Engagement | |
|---|-----------|
| Measuring economic, social and environmental impacts | A B C D E |
| <p>In late 2014, SHE Transmission's own Sustainability Accountant, in conjunction with professional services firm PwC, completed a £500,000 project to establish a 'Sustainable Commercial Model' (SCM) for transmission line developments. The initiative has an Advisory Board consisting of senior stakeholders from academia, government, and accounting organisations, and involved the consultation of over 3,000 local, national and international stakeholders.</p> | |
| Outcomes | |
| <p>The project has led us to develop an analytical framework to quantify the value of the social, environmental and wider economic impacts of transmission line developments. This will help us develop a triple bottom line approach to Transmission investment.</p> | |
| Sharing Learning | |
| <p>Our Sustainability Accountant established a Transmission Network Operators Sustainability Forum attended by National Grid and Scottish Power, as well as key contractors, and other utilities such as United Utilities have now started to participate. The forum allows all organisations to share their approaches to sustainability strategy and impact assessment.</p> | |

| Organisational Engagement | |
|--|-----|
| Trialling 3D visualisation technology | A D |
| <p>In early 2015, SHE Transmission began a project to assess the value of using 3D visualisation technology to help communities and consenting organisations to better understand the visual impact of proposed transmission developments.</p> | |
| <p>SHE Transmission is committed to developing and delivering new infrastructure as efficiently as possible and has traditionally relied on lower-cost photo montages and line diagrams to demonstrate to interested parties the visual impact of the development.</p> | |
| <p>Through this project, SHE Transmission aims to assess whether the relatively high cost of 3D visualisation techniques is justified by the additional understanding, trust and consequential support for projects that can be engendered by their use.</p> | |
| Anticipated Outcomes | |
| <p>The project will see a range of technologies critically assessed by local authority planners and by community representatives to identify the technology that most effectively meets their needs. The 'winning' technology will then be trialled on one of our infrastructure projects which is at an appropriate stage of development. The value of using the 3D technology will be assessed by seeking detailed feedback from residents and planning decision makers.</p> | |

| Operational Engagement | |
|--|-----|
| Improving compensation payment | A D |
| <p>SHE Transmission is the only Transmission Owner to have committed to paying compensation directly to customers who are affected by a prolonged power cut caused by a problem on its transmission network.</p> | |
| <p>Following the first, and to date, only, power cut which triggered a compensation payment process, we appointed an independent research agency to undertake a survey of affected customers to understand their experience of the compensation process and identify any improvements that we could make.</p> | |
| <p>Telephone interviews were conducted with over 300 sample domestic and business customers on the Isle of Skye, where around 5,000 customers had been affected by a power cut lasting over six hours. Fieldwork on the survey was conducted in autumn, shortly after the compensation process had been completed. 99% of respondents were satisfied with the overall compensation process and overall 96% said that asking customers about their experience of the compensation process is a useful thing for SHE Transmission to do.</p> | |
| <p>Looking at the compensation process itself, opinions were almost universally positive, including 85% support for the 'complete the form and receive a cheque' process with only 15% favouring the alternative of a payment direct to their bank account. However it was of note that 38% of respondents wanted payments to be made more quickly.</p> | |
| Outcomes | |
| <p>In response to the survey, we have undertaken a full review of the payment process and introduced changes that will allow us to make payments more quickly. We have also committed to undertaking a similar survey next time we make compensation payments to assess how effective these process changes have been.</p> | |
| What we Learned | |
| <p>We have learned through this process that when we undertake surveys of our customers, we should ask their permission to contact them again in order to let them know how we have acted in response to their feedback.</p> | |

| | | | | | |
|-------------------------|------------|--------------|----------------------------|---------------------|--------------|
| Assessment Criteria Key | A Outreach | B Innovative | C Embedded in our business | D Robust management | E Replicable |
|-------------------------|------------|--------------|----------------------------|---------------------|--------------|

Developers and trade bodies

Developers of Generation Representatives of Developers

Key issues

Speed of delivery of connections

Many connections for new generation are reliant on the construction of new Transmission infrastructure.

Being kept informed of plans and project progress

Trade Bodies play a key role in communicating news about Transmission matters to their members, and in representing their views.

Explaining clearly the Transmission Connections process

The process of securing a connection for new generation to the network is necessarily complex; however we are aware that developers, especially smaller developers, would benefit from a clearer understanding of the process.

Ease of access to the correct person and being kept informed

Developers have expressed concern about the difficulties they experienced in contacting the right person within SHE Transmission.

Strategic Engagement

Building Certainty – The Enablers

B

SHE Transmission originated an innovative programme of strategic engagement entitled 'Building Certainty – The Enablers' the outcome of which will be of great significance to developers, particularly those working towards developing new generation on outlying island groups. Developers are a key contributor to the project, along with industry regulators and political stakeholders. 'Building Certainty – The Enablers' is covered in detail in the section covering engagement with industry regulators and political stakeholders on page 5.

In response to feedback gathered when we have previously exhibited at National Grid's Customer Seminars, we arranged with National Grid for SHE Transmission to have a greater part in the seminars, including running project update sessions presented by our senior management team. Feedback from our presence at the Glasgow event in September 2014, at which our Director of Transmission met with small groups of mainly developer stakeholders, was exceptionally high, with attendees rating our presence at 8.9 /10.

Organisational Engagement

Engaging for better communication

A

In autumn 2014, we conducted our annual stakeholder satisfaction survey, 26% of the respondents to which were developers. 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.

Outcome

In response to this feedback we have committed to developing a quarterly newsletter for stakeholders, which will be focused on the needs of our stakeholders. We anticipate producing a highly interactive electronic newsletter, carrying useful industry information to inform and update our stakeholders on the latest developments within the sector. The newsletter will keep developers informed of our plans and project progress and aid in understanding the connections process and will make it easier to contact the right person in SHE Transmission. The first newsletter is scheduled for summer 2015.

Operational Engagement

Improving customer service for developers

DE

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.

Activity undertaken to improve satisfaction levels has included bespoke training on stakeholder engagement for all members of the SHE Transmission connections contract management team; all members of the team taking part in our Winning Service training programme (see page 6) and the creation of a stakeholder service action plan as part of that training; delivery of a range of communications improvements; and establishing a working group with National Grid (in their System Operator role) and Scottish Power Energy Networks (Scotland's other Transmission owner) to plan improvements in areas where our service provision may impact upon theirs and vice versa.

Outcome

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.

Explaining the Connections process

A

In 2014 we published our first plain English guide to SHE Transmission connections, an 'essential guide for generation developers applying to connect to the GB Transmission Network'. It sets out how to go about preparing an application, a guide to costs and timescales and explains the main points of a connection offer.

We have also added an area on our website dedicated to Transmission connections, including useful information, links and details of how to get in touch with the connections contracts management team.

Assessment Criteria Key

A Outreach

B Innovative

C Embedded in our business

D Robust management

E Replicable

Industry regulators and political stakeholders

Ofgem
European Parliament
UK Government

Scottish Government
Electricity Networks Strategy Group

Key issues

Delivery of large infrastructure projects

These stakeholders have concerns about, and influence over, the timescales in which transmission infrastructure will be developed and the effect of those timings on bringing new renewable energy generation to market.

The effects of the cost of infrastructure projects on generation developers and consumers

A balance must be struck between any increase in consumer bills as a result of SHE Transmission infrastructure investment and the value derived from that investment in terms of economic development and progress towards renewable energy targets.

Interaction of Transmission activity with other areas of energy policy

There are many areas where the effects of wider energy policy have implications for SHE Transmission's business. It is important to work with stakeholders to manage the impact of such legislation.

Supporting the development of a European Energy Union

C

SHE Transmission is a member of ENTSO-E, the European Network of Transmission System Operators for electricity. ENTSO-E is established under primary European legislation, and in addition to undertaking required functions, aspires to being the professional body to which European and national policy makers, regulators and market participants turn for competent guidance. It prepares proactive proposals and objective assessments for technical, market and policy issues related to the European electricity systems. It interacts with power system users, EU institutions, regulators and national governments.

In 2014/15, ENTSO-E has sought to help the European Commission make the most of the opportunity for Member States to move towards a genuine Energy Union. ENTSO-E has contributed to strategic thinking on this matter by publishing a position paper on proposals for a European Energy Union.

Anticipated Outcomes

By playing its part in the work of ENTSO-E, SHE Transmission contributes to the development of a European Energy Union the objectives of which are secure, affordable and sustainable energy for European businesses and citizens.

Energy Upgrade Forum

C

SHE Transmission participates in the Scottish Government's Energy Upgrade Forum which discusses strategic issues around the upgrade of transmission infrastructure and issues of common concern relating to delivery of grid projects. The aim of the Forum is to ensure that the process of developing essential transmission infrastructure is as smooth and efficient as possible.

The forum involves SHE Transmission, Scottish Power Transmission, the Scottish Environmental Protection Agency, Scottish Natural Heritage, Heads of Planning Scotland and the Scottish Government's Energy Consents Deployment Unit.

Outcomes

Our work with the Energy Upgrade Forum triggered a review by the UK and Scottish governments of how secure energy supplies are in the north of Scotland, which led to the development of a project to install equipment to stabilise system voltage under certain conditions. This will make energy supplies more secure.

Strategic Engagement

Building Certainty – the Enablers

B

As Transmission Owner, SHE Transmission plays an important role in supporting the development of renewable energy generation schemes on Scottish islands. The development of onshore wind generation schemes on outlying Scottish islands, which have some of the best wind resource in Europe, is hampered by a number of factors, including the high cost of construction of such assets in such remote locations.

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 which key stakeholders will provide 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.

Contributing Stakeholders:

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

Each contributing stakeholder has committed to addressing the issues within its own area of responsibility in order that fully informed decisions may be made on island connections.

In relation to its own 'enablers', SHE Transmission has held formal meetings with relevant stakeholders, including organisations with specific interest in the Western Isles, Orkney or Shetland, and with developers of generation, regulatory and consenting bodies and groups focused on economic development.

Outcome

The Building Certainty – The Enablers project prompted the Energy Secretary to commit to announcing the Contract for Difference Strike Price for both 2019/2020 and 2020/21 in July 2015, rather than just for one year as had previously occurred. This provides the certainty that generation developers need to make investment decisions and which in turn will allow SHE Transmission to develop a robust Needs Cases for new island connections. 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".

Industry colleagues

SHE Transmission employees Transmission Owners System Operator

Key issues

Communication and engagement

Colleagues in the Transmission industry must communicate effectively, both within their business and between them.

Sharing knowledge

We also need to work well together to share information on a day-to-day basis and to plan for the future.

Innovation

Our colleagues' involvement identifying and understanding new ways of doing things is crucial in taking new ideas from concept to business as usual. Our work in relation to innovation is covered in detail on page 7.

Strategic Engagement

Future Energy Scenarios C

National Grid in its role as System Operator each year publishes its UK Future Energy Scenarios document. This annual publication describes the System Operator's new analysis of credible future energy scenarios out to 2035 and 2050. The Future Energy Scenarios help Government, customers and other stakeholders make informed decisions.

In 2014/15 we engaged extensively with National Grid in its development of Future Energy Scenarios, through a series of meetings and via consultations and seminars, to contribute to continual improvement in the quality of analysis that feeds into the scenarios.

Outcomes

We contribute most extensively on matters specific to the north of Scotland, with the aim of ensuring Future Energy Scenarios accurately reflect the situation in the north of Scotland.

Future measurements of success

Each year SHE Transmission carries out a detailed survey to understand stakeholders' level of satisfaction with SHE Transmission. The results of the 2015 survey, which will take place in autumn, will provide an indication of the effectiveness of our Winning Service programme in relation to their effect on stakeholders' experience and opinion of SHE Transmission.

Organisational Engagement

Stakeholder Service training and action plans for SHE Transmission employees ABCDE

Stakeholder Service training and action plans for SHE Transmission employees

In 2013/14, we committed to ensuring that, by the end of 2014/15, all members of 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.

Between October 2014 and January 2015, we delivered a training programme reaching almost 90% of our SHE Transmission colleagues. 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 Winning Service sessions were delivered by qualified SSE Group trainers, supported in each session by a member of SHE Transmission's senior management team.

Measuring the effectiveness of the Winning Service training programme

To help us understand the effectiveness and benefits of the staff training course, participants were surveyed by an independent research agency prior to participation in the course and again afterwards. The survey report stated:

"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)."

Outputs

Stakeholder service training delivered to almost 90% of SHE Transmission employees, with commitment to continue training to capture all existing and future colleagues.

Adoption of over 20 targeted action plans for improving stakeholder service, informed by our stakeholder survey and developed by individual teams. Commitment to introduce a range of across-the-business changes to improve the service we provide.

| | | | | | |
|-------------------------|-------------------|---------------------|-----------------------------------|----------------------------|---------------------|
| Assessment Criteria Key | A Outreach | B Innovative | C Embedded in our business | D Robust management | E Replicable |
|-------------------------|-------------------|---------------------|-----------------------------------|----------------------------|---------------------|

Innovation community

Engineering and Technology Companies
Academic Institutions
Business Experts
Other Network Operators

Key issues

Access to the right people and visibility of ideas

It's important that we allow potential innovation collaborators to contact us easily; equally, it's important that SHE Transmission colleagues can make contact with organisations who may have solutions to challenges they face.

Access to third party funding

Many European and UK funding streams that could support the development of innovative solutions to Transmission challenges require that projects involve a wide range of stakeholders.

Strategic Engagement

Multi-Terminal Test Environment

B C D

With increasing development of HVDC systems, Great Britain's electricity transmission grid could soon be one of the most complex integrated AC/DC networks worldwide. The National HVDC Centre is the first facility of its type in GB and will de-risk the development and operation of HVDC schemes. The Centre is being developed by SHE Transmission's Multi-Terminal Test Environment project. Throughout 2014-2015, the project team has created strategic and novel collaboration agreements with transmission network operators and with the supply chain, and has engaged with various HVDC centres across the world.

Outcomes

A visit to RTE France's HVDC Centre in Paris influenced the National HVDC Centre's design and has enabled sharing of HVDC models and knowledge in Europe. A signed technical support agreement was made with Scottish Power Transmission plc and National Grid Electricity Transmission plc to provide resources, system data, knowledge and expertise to The National HVDC Centre. The project team also worked with the supply chain to establish the functional and design specifications for the Centre. These outcomes will contribute to the successful use of The National HVDC Centre by transmission licensees, and by suppliers.

Organisational Engagement

Innovation Speed Dating

A B E

In March 2014, in conjunction with the Energy Innovation Centre, we ran a rapid-fire event, inspired by social speed-dating, to match innovative solutions to SHE Transmission challenges. At the event, held at the inspiring Power Networks Demonstration Centre, 64 focused conversations took place in just one day.

Outcomes

SHE Transmission participants were asked to highlight any potential solutions they had identified through their conversations. All participants in the event were thanked for their participation and advised which potential solutions were to be taken forward.

Three strands of innovation arising from the speed-dating event have been instigated and a further three possible collaborations are being actively pursued, and a follow-up engagement day was held with one technology provider.

Co-hosting the Low Carbon Networks and Innovation Conference

A

SHE Transmission, along with its sister companies Scottish Hydro Electric Power Distribution and Southern Electric Power Distribution, co-hosted the 2014 Low Carbon Networks and Innovation Conference in Aberdeen in October 2014.

The event, which is organised by Energy Networks Association on behalf of Ofgem and the network operators, set out the critical innovation and new technologies that will ensure security of supply that is low carbon and affordable to consumers. With almost 800 delegates from 14 different countries and over 75 exhibitors it was the largest smart grid event in the UK.

Operational Engagement

Delivering engaging innovation projects

Here we summarise some of our most effective stakeholder engagement being undertaken in relation to our innovation projects.

Grid Reporter App

A B D E

SHE Transmission, along with other SSEPD businesses, is trialling Grid Reporter, a smartphone application that allows consumers to easily submit reports regarding power outages, damaged equipment or downed electrical lines. This will allow us to locate the house or equipment in question and send engineers to fix the problem.

Grid Reporter is being tested by SHE Transmission colleagues to allow initial troubleshooting, prior to engagement with a range of stakeholders, to include landowners and the emergency services, in extensive user testing of the app.

Anticipated Outcomes

The app could allow us to fix damage more quickly, preventing power cuts from happening, or reducing their duration; it could also prevent safety incidents as issues can be reported and resolved before they pose a danger.

Modular Approach to Substation Development (MASC)

B C D E

Our £2.6m, four-year MASC project aims to deliver a substation which is up to 70% smaller than traditional models by using innovative substation components and civil engineering techniques.

Feedback gathered through a series of independently facilitated activities such as surveys, workshops and interviews is informing the development of the technical and functional aspects of the MASC substation.

Anticipated Outcomes

Stakeholder views gathered from a programme of facilitated events will inform the nature of the new substation design such that the final proposals are closely aligned to the wants and needs of stakeholders, facilitating the transition of the new approach from trial to business as usual. The project could, if widely adopted by all of the GB licensees, bring cost savings of up to £655 million and could help the faster connection of new, renewable generation.

Landowners

People or organisations in whose land our assets are situated or through whose land we must move.

Key issues

Understanding wayleaves agreements

Engagement via the Scottish Electricity Wayleaves Forum (SEWF) has identified that the Terms and Conditions of wayleaves agreements are difficult to understand. This can lead to misunderstandings and resources being taken up managing disputes.

Equitable payments

Through the SEWF, we know that landowners want the payments we make to them for use of their land, and the associated terms and conditions, to be equitable. Achieving that is good for SHE Transmission, too, as it will mean we neither overpay (and waste customers' money) nor underpay (and face costly legal challenge).

Contractor Compliance

Via the SEWF, we are aware that it is extremely important to landowners that we ensure contractors working on our behalf comply with all aspects of wayleaves agreements.

Organisational Engagement

Simplifying Necessary Wayleaves agreements

B C E

A Necessary Wayleave is a statutory right which allows electricity licence holders to install their electricity lines and associated equipment on, over or under private land and to have access to them when required.

In 2013/14 the Scottish Government undertook a consultation on Necessary Wayleaves, in which we were closely involved, with our legal team providing extensive input to the proposals. Informed by that consultation, in April 2014, the Scottish Government published a new guidance document for electricity companies, landowners and occupiers, covering applications for the grant of Necessary Wayleaves.

Outcome

SHE Transmission now applies the guidance to its Necessary Wayleaves process. The process is now easier to understand for the landowner and the rights being sought from them by the Electricity Network Companies are clearer.

Equitable payments

B C E

We are committed to publishing the principles we apply when calculating payments to Grantors. In 2014/15, we:

- commissioned a Scotland-wide review of how the rental element of wayleave payments is calculated and shared it with farmers and landowners via their representative bodies
- worked with other network companies to commission UK-wide research by specialist agricultural university, Harper Adams, into how the compensation element of wayleave payments is calculated

Outcome

We demonstrated to Grantors that we are committed to ensuring that the level of payments made is and continues to be equitable and fully reflective of the costs they incur in having electricity apparatus on their land.

Contractor compliance

B C E

We have worked with landowners and with our contractors to understand the causes and effects, and solutions to contractors not fully complying with the conditions of wayleaves. Non-compliance, such as accessing land on days when access is not allowed, taking vehicles into areas where only foot access is granted, or simply not closing gates can all lead to loss of income and inconvenience for landowners. For SHE Transmission, non-compliance can lead to access being denied, and associated cost effects on projects costs and delivery timescales. It is important for all parties that the terms and conditions of wayleaves are clear to everyone involved.

Outcome

We have revised our documentation to make sure that the rights of grantors are clearer, helping grantors know what they are entitled to enforce, and contractors to understand how and when they should work in that location. We have also introduced clauses to contracts under which contractors can be financially penalised for failing to comply with the terms of wayleaves agreements.

Operational Engagement

Raising awareness of emergency numbers amongst landowners

A

Landowners and their agents are often the first to notice a problem developing with electrical equipment located on their land. However, in 2014/15, we became conscious of a need to raise awareness of the quickest way for landowners to contact us if they spot a problem with the network. This issue applies to SHE Transmission and to our sister networks companies Scottish Hydro Electric Power Distribution and Southern Electric Power Distribution.

We worked with a land agent, who had himself reported a fault to us, to develop a media campaign to raise awareness of how simple and easy it is to report problems that if addressed quickly could prevent a power cut, or even an injury. The land agent agreed to be the 'face' of the campaign, lending credibility to the messaging with the intention of securing coverage in a wide range of media outlets.

Targeting the agricultural and rural communities via relevant publications, and promoted online and via social media, we delivered a multi-media campaign featuring a member of that community urging his peers to report problems quickly by calling us on our emergency number.

Outcomes

The campaign delivered extensive local, trade and social media coverage, including:

- Publication in print media with circulation totalling over 30,000
- Extensive social media sharing by key stakeholders including national Farmers Union, Scottish Land and Estates, a land agency and a local authority, reaching over 25,000 followers
- An interview on local BBC Radio
- 150 views of a video featuring the land agent describing his experience and encouraging his peers to contact us on the emergency number if they spot problems

Statutory consultees

Historic Scotland (HS)
Scottish Environmental
Protection Agency (SEPA)
Scottish Natural Heritage (SNH)
Local Authorities
National Park Authorities

Key issues

Awareness of Historic Issues

In order to deliver on commitments to Historic Scotland to increase the rigour and passion with which we approach historic environmental issues, we must improve understanding and appreciation of such matters amongst our colleagues and contractors.

Developing best practice for Species Protection Plans

SNH would like other infrastructure developers to benefit from the knowledge we have gained about Species Protection Plans on construction projects.

Controlled Activities Regulations

Controlled Activities Regulations, which govern activity around watercourses, are stringent and detailed and ensuring compliance requires a great deal of work by both SHE Transmission and Scottish Environmental Protection Agency (SEPA).

| Strategic Engagement | |
|---|-------|
| Sharing best practice on Species Protection Plans | B C E |
| <p>Species Protection Plans set out how an organisation will carry out work in areas where certain animals, such as Scottish wildcats, red squirrels and water voles are known to live, to avoid causing them harm. Traditionally, Species Protection Plans were developed individually for each project; SHE Transmission is working towards agreeing standardised Species Protection Plans that could be used for all its construction projects, simplifying and speeding project development and ensuring the protection of some of the country's most vulnerable animals.</p> <p>In recent years we have worked with Scottish Natural Heritage to develop Species Protection Plans for all designated animals, for our Beaulay–Denny replacement transmission line project. We shared the Plans with Scotland's other Transmission Owner, Scottish Power Transmission who recognised their value and adopted them for use in relation to its own transmission part of the Beaulay–Denny line. Since these were originally agreed for Beaulay–Denny, they have been further developed and agreed with SNH to cover SHE Transmission's wider project portfolio.</p> | |
| Outcome | |
| <p>SHE Transmission shared improved plans with the Scottish Government. The Government recognised the new plans as contributing to best practice, and agreed that where appropriate, they would be referred to in future transmission line planning consent determinations.</p> | |

| Organisational Engagement | |
|---|---|
| Engaging for understanding | A |
| <p>In order to smooth the progression of projects through consent and delivery, SHE Transmission must work to understand the challenges and priorities of statutory consultees and to develop effective working practices that work well for everyone concerned.</p> <p>We work to achieve this in a range of ways, prime amongst which is our series of Regional Statutory Consultee Liaison Meetings. These meetings provide insight for Statutory Consultees to the status of the projects we have in development and allow them to plan for future workload, and to raise any questions or concerns they may have.</p> | |
| Outcomes | |
| <p>Our North Region Statutory Consultee Liaison Meetings identified a conflict with the way in which they were consulted in relation to site selection for substations and route selection for new Transmission projects. They felt that in the Highland Council area, SHE Transmission should undertake consultation prior to submitting planning applications through the Council's own pre-application consultation process, rather than applying our own process as we had previously.</p> <p>This now allows Highland Council and other statutory consultees to contribute more effectively to pre-application consultations, leading to more robust decision-making by both SHE Transmission and statutory authorities.</p> | |

| Operational Engagement | |
|---|-------|
| Embedding Controlled Activities Regulations in business as usual | B C E |
| <p>Controlled Activities Regulations (CAR) govern the way in which construction projects are conducted around watercourses. In 2013/14, we developed our own CAR procedures which recognised the distinctive features of the types of watercourse we commonly encounter when developing transmission construction projects in our largely rugged and remote areas of operation. 2014 has seen us provide training for SHE Transmission colleagues on our approach to CAR, and hosting site visits from SEPA to help their representatives' understanding of the challenges CAR pose for our construction projects and to demonstrate the effectiveness of the practices that we have adopted.</p> | |
| Awareness of historic issues | |
| <p>SHE Transmission has a responsibility to protect the historic environment as it plans and delivers its construction projects. In addition to commitments to protecting the historic environment, such as having an archaeological consultant on site in areas where there is a recognised potential that archaeology may be present (even if it has not yet been discovered), we also invest in training for our colleagues to enrich their understanding of historic matters. In January 2015, our Environment team and key project team members took part in training delivered by an archaeological consultant to enhance their understanding of archaeological issues.</p> | |

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| Assessment Criteria Key | A Outreach | B Innovative | C Embedded in our business | D Robust management | E Replicable |
|-------------------------|------------|--------------|----------------------------|---------------------|--------------|

Supply chain participants

Participants in our supply chain include main contractors and smaller businesses

Key issues

Contractor safety

The SSE Group's Contractor Total Recorded Injury Rate (TRIR) is much higher than that for SSE Group employees. As SHE Transmission delivers a multi-billion pound investment programme, we have more contractors working on our behalf than any other part of the SSE group, and it is right that we place a strong emphasis on engaging with our contractors to help reduce the TRIR.

Paying a Living Wage

There is clear evidence that providing a fair day's pay for a fair day's work leads to improvements in staff retention; reducing recruitment costs, increasing productivity and the wellbeing and motivation of the workforce. We believe that people should get a wage they can live off, not

just survive on, and we recognise that the benefits of paying a Living Wage will ultimately help reduce costs for customers and ensure that we can employ the right people and keep them with us for the long term.

Strategic Engagement BCDE

Developing a consistent approach to safe practice across all of Scotland

SHE Transmission and Scottish Power Transmission are the two Transmission owners in Scotland. The two businesses have many contractors in common and we believe it is important for contractor safety that the companies' safety practices are aligned – we feel that it is safer for those contractors that we have the same safety practices in place across the whole of the Scottish Transmission industry.

To facilitate a common approach to safety, we have established a forum involving SHE Transmission, Scottish Power and all of our joint framework contractors. The aim of the forum is to align safe working practices in relation to Transmission infrastructure construction across Scotland, covering substations, overhead lines and underground cabling.

Anticipated Outcomes

Establishing a set of common safety practices across all Transmission projects in Scotland, so it is easier for contractors to comply with safety requirements whether working for SHE Transmission or Scottish Power Transmission.

Operational Engagement

Outreach for improvement ABDE

To better understand why injury rates are much higher amongst contractors than amongst SHE Transmission employees, we need to speak directly to people working on our construction sites in a way that they feel comfortable and are able to talk freely. Whilst we collect extensive quantitative data on safety matters, qualitative information is sought less often.

Qualitative research

In late 2014 SHE Transmission's Safety Performance Manager – once a site worker himself – visited several of our construction sites, inviting people to speak freely about safety. He held sessions for hands-on workers separately to those for supervisors and managers. This approach allowed frank opinions to be aired without fear of reprisals. Verbatim feedback from the sessions was provided to the SHE Transmission management team, providing what was a somewhat uncomfortable insight into the concerns of site workers. Site workers said that when SHE Transmission employees visit sites to conduct their regular safety audits, SHE Transmission colleagues have a reputation for seeking out problems, and tackling them aggressively rather than constructively.

Next Steps

SHE Transmission has committed to training in behavioural change for SSE colleagues and Contractors alike. SSE will work with principal contractors and site workers to understand safety concerns and develop solutions, a step change from the current 'inspect and challenge' model to a more constructive, more engaging, approach to improving contractor safety. A comprehensive programme of measuring the effectiveness of this approach is currently being considered.

Engaging for fair pay ABCDE

In 2013, following engagement with The Poverty Alliance, the Scottish Government, the Scottish Living Wage Accreditation Initiative (the Business Leadership Group of which we chair), the SSE Group, SHE Transmission's parent company, became the first large energy company to achieve Living Wage accreditation.

In 2014, we engaged with over 15,000 of our suppliers to extend our Living Wage commitment to service and works contracts.

Outcomes

In late 2014, SHE Transmission became the first UK business to apply the Living Wage commitment to a complex engineering supply chain, when it awarded Scotland's largest ever Living Wage contract – worth £460million – to ABB Limited. The contract is part of the Caithness to Moray Transmission Project; it is Scotland's largest ever Living Wage contract to date and will support at least 600 jobs.

In 2014 the SSE Group received the independently-judged 2014 Living Wage Champion Award for Scotland. We are sharing our learning by advising other major utilities on how we made our commitment; by contributing to academic research; leading Living Wage Week events; and taking part in a BBC documentary on the issue.

Measuring the Benefits

'Living Wage Employers: evidence of UK Business Cases', a qualitative research project by the University of Strathclyde, to which SSE was a key contributor, quotes SSE's Director of Sustainability, Rachel McEwen as saying:

"For SSE, being a Living Wage employer is about doing the right thing for people who work for us. That's good for our employees and it is good for business too. But just as importantly, it is a symbol of the type of company we want to be: being responsible in all that we do in order to make a difference to people's lives."

Research by Queen Mary University of London suggests that longer term outcomes may include an increase in positivity and loyalty of affected employees; reduction in staff leaving rates; and improvements in family life and financial benefits including workers being able to save more.

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