

# RIIO-T2: Engaging On Our Strategic Objective

January 2019



# About this paper

This paper presents the development and engagement undertaken to determine our strategic themes for SHE Transmission in RIIO-T2 and how these have been developed. The first part of the paper sets out our engagement and research approach, the methodology for development of the strategic objectives, how stakeholders have been essential and influential in the development and the methods of engagement used.

The second part provides a summary of the findings from the review and how these have been captured in our four strategic themes that will define our RIIO-T2 business plan. Further detail on the application of these themes within our business plan will be published in our Emerging Thinking report at the end of January 2019.

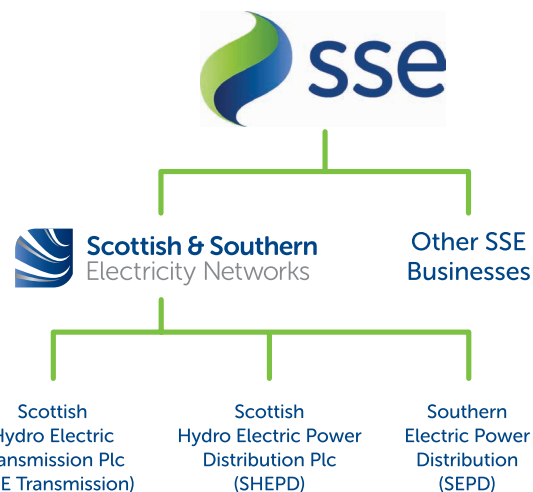
At the end of the publication, we have provided details of how to contact us if you would like to discuss the content of the report or be involved in the application of the strategic themes in our detailed business planning.

## About us

Scottish Hydro Electric Transmission (SHE Transmission) is the owner of the high voltage electricity transmission network in the north of Scotland. With our sister company, Scottish Hydro Electric Power Distribution (SHEPD) the owner of the adjoining low voltage network, we are responsible for ensuring a safe, reliable supply of electricity to around 750,000 homes and businesses. We also provide grid access for nearly 7 GW of generation, contributing around one third of GB's renewable energy output.

Electricity networks like SHE Transmission and SHEPD are natural monopolies – the high cost of the network means it makes economic sense for there to be only one provider. Because of this, our activities are subject to strict regulation and oversight by the energy industry regulator. Ofgem sets the rules for both how much we can charge and the standards of our service. Ofgem periodically resets these rules through a process known as the price control.

For SHE Transmission, our current price control ends on 31 March 2021 and Ofgem has started the process of setting our next control, called RIIO-T2, which will run for the following five years. As part of this process, we must submit a business plan that sets out and justifies all our proposed activities, expenditure and outcomes. We submit our business plan in December 2019, and over the course of 2020 Ofgem will reach a decision on the price control settlement.



# Introduction

In November 2018 we launched our Strategic Objective for RIIO-T2. The objective has four themes shown below. These themes are one of the foundation elements of our business plan and were determined through a process of development and engagement that started in 2017 when we began a review of our strategic objective.

Our strategic objective since 2010, encompassing the current price control period, has been to enable the transition to the low carbon economy. We have measured our success against this objective by the connection of new renewable generation of all scales and technologies to either the distribution or transmission network. We believe we have been successful in achieving this objective by working closely with customers and communities and, where cost-effective, using new technologies, deploying new ways of working and instigating industry change.

The 2017 review was motivated by the ongoing changes in the energy sector and questioned whether our current objective was consistent with the requirements for the transition to cleaner economic growth for now and looking forward to 2025 and beyond. More broadly, we wanted to understand if customers' expectations from the energy networks were changing and, if so, what customers and stakeholders thought we should be focused on.

The findings from this review highlighted both the continuity and ongoing significant changes in the energy sector. The findings of the review and the methodology for the development of the strategy are set out in the following pages.

## Strategic themes

To enable the transition to the low carbon economy



### Safe and Secure Network Operation

Use data efficiently to understand, predict and get the best network performance.



### Sector-leading Efficiency

Integrated approach to whole life development and operation, using risk-based engineering to deliver value.



### Stakeholder-led strategy

Taking a whole system approach to network operation and development to meet current and future customers' needs.



### Leadership in Sustainability

Trusted partner of customers and communities, realising long term benefit for society, economy and environment.



# Stakeholder engagement approach

Our approach to stakeholder engagement in the development of this strategy followed the general approach set out in our stakeholder engagement brochure including the six principles of engagement:

<https://www.ssen-transmission.co.uk/media/3117/riio-t2-stakeholder-engagement-ssen.pdf>

The stakeholders involved in development of the strategy were identified and classified following this approach and the methods of engagement applied were in line with the methods identified as most suitable for each category of stakeholder.



## Experts

Specialist knowledge or previous experience of the topic. Early and ongoing engagement largely through face-to-face meetings.



## High Impact

Potential activities directly and materially affect the individual, community or stakeholder. Early and ongoing engagement largely through face-to-face meetings and events.



## Bill Payer

Customer will incur the cost of the proposed activity: generator, DNO or electricity user. Research, modelling and direct / indirect engagement including surveys, focus groups, forums.



## Everyone

Transparency and use of 'networks' to extend reach. Best practice of others. Specific involvement from employees and investors.

As leading influencers in the scope and direction of future energy sector developments and infrastructure investment, government stakeholders were identified as the primary experts and were involved at each stage of the development through one to one discussions and attendance at our engagement events. Being on the front line in running an electricity networks business our employees were also considered experts and were engaged throughout the process through interviews, workshops and events.

The views of directly connected customers and our high impact stakeholder group including statutory consultees and other network companies were gathered through a perceptions review and an engagement event held in Glasgow.

The publication of this paper provides visibility of our strategy development process, findings and the final strategic themes that we are proposing for RIIO-T2 to everyone.

## The role of end consumers

It was essential that the interests of end consumers (bill payers) were captured in this strategy development. This was tackled through two methods:

1. Secondary research on consumer interests and priorities for energy and networks using publicly available sources,
2. Primary research through interviews with consumer representative organisations such as Citizens Advice and Citizens Advice Scotland.

The secondary research informed the initial identification of essential characteristics for the business and was used to inform the contextualisation of these.

The primary research was predominantly carried out as we developed the essential characteristics into a draft strategic objective, and in the refinement of the objective, with consumer representative groups included in the shortlist of expert stakeholders consulted on the draft strategic narrative.



## Who we engaged



Transmission connected generation/demand



SHEPD and other utilities



Consumer representative groups



Governments



Contractors, consultants and supply chain participants



Landowners



Statutory consultees



National Grid and SP Energy Networks



Local authorities



Trade bodies



Developers



Regulator



We engaged with  
**Over 100** Customers and stakeholders

### How did we engage with them?



Desktop research on consumer views and priorities



Workshops in Glasgow



Face-to-face and telephone interviews



## Enhanced Engagement and the role of our User Group

For RIIO2, Ofgem are introducing different models of stakeholder engagement. This involved companies and Ofgem establishing Groups that will challenge the business plans proposed by the network companies for the next round of price controls.

In Summer 2018, we formed the independent RIIO-T2 User Group. The User Group will play a key role in scrutinising and providing independent expert challenge to the development and delivery of our business plan. Through detailed engagement with our business experts, the User Group's feedback will directly shape how we plan to meet customers' needs from 2021 onwards. The User Group consists of eight experts who have a varied background in areas including non-traditional business models, innovation, fuel poverty, community energy and consumer research, and will ensure our business plan represents our stakeholders' expectations and needs. In October 2018 the User Group reviewed our methodologies for the development of the two foundation elements of our business plan, our Strategic Narrative and our north of Scotland Future Energy Scenarios. As well as reviewing the development methodology, the User Group considered the findings of the process and the draft strategic narrative that had been prepared and was being consulted on at the time.

Following their review, the User Group requested that we refine and adapt the strategic narrative wording proposed. The results of the consultation and our proposed refinements in response to this were reviewed by the User Group in early November 2018 ahead of finalisation. The User Group provided further advice on more accessible language and the inclusion of society as well as customers in the value statement in our core purpose to better reflect the full range of stakeholders impacted by our activities. The RIIO-2 Challenge Group were also given sight of our strategy when we first met them in November 2018. In response to feedback from these groups, the application of the strategy in the detail of business plan proposals will be made clear in future presentations. The final strategic narrative was issued to the User Group in December 2018.

For more information on the User Group please visit - <https://www.ssen-transmission.co.uk/talk-to-us/user-group/>



# Development methodology and details of engagement

As outlined in the updated business plan guidance issued by Ofgem in December 2018, it is essential that we carry out robust and high quality engagement with our stakeholders in the development of our plan<sup>1</sup>. Our strategy and vision for RIIO-T2 is one of the foundations of our business plan and, alongside our future energy scenarios, determines the focussed activities that we will include in our business plan for investment and delivery in RIIO-T2. As such, stakeholder engagement has been a critical source of input and review in the strategy development process.

While our employees have a wealth of knowledge and expertise in network development and operation which are essential in determining a technically viable and deliverable strategy, our external stakeholders hold the information on what customers and society expect from our network over the next price control period and beyond. To capture this, our methodology was designed to gather stakeholder input from across this spectrum, and to rationalise technical and statutory requirements with customer and societal expectations.

The development methodology included six stages. These three pages provide a summary of the research and engagement activities carried out at each stage.



<sup>1</sup>Ofgem (2018) RIIO-2 Business Plans Draft Guidance Document



## Perceptions review feedback

Interviewees welcomed being able to work with SHE Transmission and being able to take part in this consultation

# 1

### Perceptions Review

30 in-depth interviews stakeholders on their perception of SHE Transmission and future priorities. The interviews were conducted by an independent agency during February and March 2017. Interviewees included: Government, Regulators, Generators and developers, Local Authorities, Statutory Consultees, Supply chain and Contractors, other network companies, landowners, and community groups.

Additional interviews with SHE Transmission employees that regularly interact with external stakeholders, gathering information on: areas on which positive feedback is received, any areas of recurring challenges or topics where they perceive a level of stakeholder dissatisfaction, and priorities for our business in RIIO-T2.

# 2

### Options assessment

Informed by the findings of our perceptions review, in late 2017 we undertook an internal consultation with over 50 representatives from all areas of the SHE Transmission business and relevant experts from SSE Group corporate support services to determine what our employees believed to be the most important criteria for successful operation in RIIO-T2.

# 3

### Contextualisation

Desktop reviews of the policy landscape and consumer priorities and preferences was carried out with findings verified through one-to-one discussions with government and consumer representative groups.

Stakeholder engagement event in Glasgow with our expert and high impact stakeholders. A total of 57 stakeholders attended the independently facilitated workshop event which included roundtables and Q&A to gather stakeholder views on priorities in RIIO-T2.

Presentation of the draft themes to employees through a series of Director's roadshows in Aberdeen, Inverness, Perth and Glasgow.

These were attended by over 50 employees representing all areas of the transmission business.

# 5

### Consultation and Refinement

One-to-one review of the draft strategic narrative with a select group of expert stakeholders.

This stage of the engagement was designed to check that: SHE Transmission's strategic purpose and approach was clearly stated, that it had stakeholder support and that it could be easily understood by multiple audiences.

# 4

### Narrative Drafting

A draft strategic narrative was produced based on the results of the earlier stages of development and engagement. This narrative included a purpose, mission, record and the four strategic themes, which together served as SHE Transmission's vision for RIIO-T2. The drafting was carefully considered to capture what we and our stakeholders considered to be the critical elements for our network for RIIO-T2 and beyond.

# 6

### Launch

The final Strategic Objective was launched at our RIIO-T2 Stakeholder Engagement Event in Glasgow in November 2018.

The strategy was well received at the event which was attended by 73 stakeholders representing a wide range of high impact and broader stakeholders.

Stakeholders in attendance were also provided with an opportunity to feed in views on the practical application of the four strategic themes in the areas of stakeholder engagement and sustainability.

# Findings of research and engagement

## Stakeholder engagement is critical

The first outcome of our review and engagement was the criticality of engagement with stakeholders and the need for more customer focus. While stakeholders felt that we are approachable and are good at communicating our plans; they saw a lack of engagement in early project development, and perceived that we are not visible enough in policy discussions.

## Security of supply is top priority

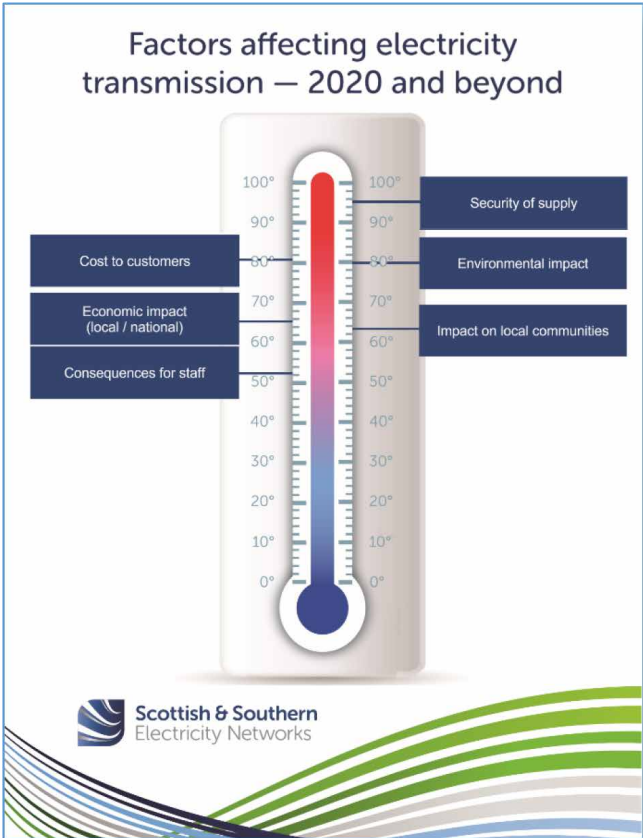
Following identification of stakeholder needs through our perceptions review, relative priorities for our network were discussed with stakeholders at our stakeholder event in March 2018. A consensus position was reached that Security of Supply was the most significant factor, followed by Cost to Customers and Environmental Impact.

## Costs are important to everyone

Costs were called out as a lead influence both “for the masses” (i.e. consumers) and for generators due to reduction and removal of subsidies. This included the need for more transparency on costs.

## Performance on environment and sustainability is expected and increasingly important

Stakeholders viewed the environment as being of growing importance as the public are becoming much more conscious of environmental issues. Economic Impact, Impact on Local Communities and Consequences for Staff were also rated as priority areas coming close behind environmental impact. This confirmed the findings from our sustainability strategy review, that broader sustainability was of importance to our stakeholders.



Stakeholders were asked to consider the energy trilemma - Cost, Environment and Reliability – stating where they see SSEN at present and then repeating the exercise according to where they believed the company would be in 2030.

This data was plotted on a grid in order to calculate a mean position for both the present and for 2030.

When asked for SSEN’s position in terms of the Energy Trilemma now, the aggregated position was more or less central, albeit with Reliability as, marginally, the most important factor (blue results in the triangle). When asked to repeat the exercise, stating where the company would be in 2030, there was a move away from Cost and Reliability, towards the Environment (green results in figure).



# Bill Payers

The results of our desktop review of consumer attitudes and priorities showed that there is strong support for the decarbonisation of the energy sector and for energy networks to enable the transition to the clean energy economy.



**81% of the public expressed support for the use of renewable energy<sup>2</sup>.**



**Opposition to renewable energy remained very low, at 4%, with only 1% strongly opposed<sup>2</sup>.**



**69% of the UK public support the need for the Climate Change Act. The number of those in support is slightly higher in Scotland at 70%<sup>3</sup>.**

There is also emerging evidence of consumer support for electrification of transport.

- 10% of the public stated that they are likely to purchase an EV as their next car<sup>4</sup>.
- 12% of the public in Scotland likely to buy an EV as their next car<sup>4</sup>.

However, there is opposition to rising bills.

- 59% of the public would not be willing to see electricity bills rise if the extra money was spent on investing in renewable low-carbon energy sources<sup>4</sup>.

These findings were confirmed through our discussions with consumer representative groups who stated that there is support for renewable energy and avoidance of climate change, but that tackling fuel poverty remains a critical priority.

At our stakeholder event in March 2018 there was complete agreement that security of supply was critically important for consumers but cost was a key area of disagreement between stakeholders. Some participants, especially local authorities and voluntary groups, thought it was important to ensure that fuel poverty did not increase, whereas others argued that there was an inevitability of costs increasing during the clean energy transition. These stakeholders argued that costs would go up no matter what, but that it would be better to invest now to maintain and improve the network and prepare for the future.

We posed this challenges to our User Group to seek their advice on how we should rationalise delivery of targets set by Government policy with consumer expectations on cost. The User Group advised that government policy that is already in place, for example decarbonisation of energy, must be taken as a national requirement and, as such, has primary over the views of individual stakeholders.

<sup>2</sup>BEIS Public Attitudes Tracker: Wave 26 (July 2018)

<sup>3</sup>YouGov / Energy & Climate Intelligence Unit Survey Results (May 2017)

<sup>4</sup>YouGov / Radio 4 Survey Results (July 2018)

# Summary of how stakeholder views informed the Strategic Objective

Stakeholder views	Strategic Objective
Security of supply is most critical factor	<b>Safe and Secure Network Operation</b> Network performance is already very good for our network, we must ensure that this continues amongst the challenges that come with operating an increasingly decarbonised and decentralised network. By using data efficiently, we can increase our visibility of our network condition, predict issues before they arise, and get the best network performance.
Importance of cost	<b>Sector-leading efficiency</b> Taking an integrated approach to development and operation, ensuring that we consider whole life costs, we will deliver value for current and future customers. We will be open about the trade-offs between costs and delivery of the clean energy transition. Using risk-based risk based engineering will make sure that we invest efficiently in maintaining a safe and secure network.
Need for more, earlier and better engagement; more customer focus and more involvement in policy discussions	<b>Stakeholder-led Strategy</b> Energy networks are built and operated to meet the needs of current and future customers, and so customers' needs must be the drivers of all activities. Consideration should be given to the interests of wider stakeholder groups and visibility of the influence of this on decisions provided. Taking a whole system approach will ensure best outcomes across the energy system in meeting stakeholder needs.
Environmental and social factors are highest considerations behind security of supply and costs and are of increasing importance	<b>Leadership in Sustainability</b> By committing to and delivering upon ambitious targets on the social, economic and environmental sustainability of our activities we will realise long term benefit across all of these areas. To achieve this, we must be a trusted partner of customers and communities.

## Consultation and refinement

The draft strategic narrative served as a hypothesis which we tested with a select group of expert stakeholders. This stage of the engagement was designed to check that: SHE Transmission's strategic purpose and approach was clearly stated, that it had stakeholder support, and that it could be easily understood by multiple audiences. The stakeholders consulted at this stage included, but were not limited to, Citizens Advice, the Department for Business Energy and Industrial Strategy and the Scottish Government. The results of this consultation were:

- In general, consistent and strong support for the components of our strategy;
- Agreement that there is no simple strategy going forward; we will need to develop in multiple areas concurrently; and,
- Advice to re-visit our language to make it easy to understand and consistently interpret.

We refined the wording of our strategic themes in response to this advice, making the descriptions less technical and adding future customers alongside current customers in our efficiency theme to ensure that delivering value to them was effectively captured.

The strategy development process, the stakeholder input and consultation results, and the final strategic narrative was reviewed and signed off by the Scottish and Southern Energy Power Distribution Board in November 2018 ahead of the launch of the narrative at our RIIO-T2 Stakeholder Engagement event at the end of November 2018. The strategy was well received by stakeholders at the event. The final strategic themes are set out in the following section.



# Strategic Objective



## Safe and Secure Network Operation

Use data efficiently to understand, predict and get the best network performance.

Energy networks, and especially the high voltage transmission motorways, must be reliable, available and resilient to changing circumstances, be these opportunities or threats.



## Sector-leading efficiency

Integrated approach to whole life development and operation, using risk-based engineering to deliver value.

Energy networks must be affordable to consumers, and be open about the trade-offs between cost and investment for local and national benefits to achieve the clean energy transition.



## Stakeholder-led strategy

Taking a whole system approach to network operation and development to meet current and future customers' needs.

Energy networks are built and operated to meet the needs of current and future customers, and so customers' needs must be the drivers of all activities.



## Leadership in sustainability

Trusted partners of customers and communities, realising long-term benefit for society, economy and environment.

Energy networks must be trusted by the customers and communities they serve demonstrating long term benefit for society, economy and environment.

Our RIIO-T2 business plan will have the purpose of meeting this strategic objective and we are currently structuring the business plan around the four themes. The emerging thinking for each of the four themes will be described in our emerging thinking paper which will be published at the end of February 2019. Guidance on how you can get involved and contribute to the development of our plan is provided over the page.

# How can you get involved?

Talk, attend or write

Understanding our stakeholders' individual and collective requirements and seeking their feedback is extremely important in shaping our current and future business activities. Our stakeholders have told us that their preferred method of engagement is direct face-to-face meetings, and that it is also important that we make information about our plans and activities open and available through as many ways as we can. For RIIO-T2 we are also using a number of other contact methods, including surveys, focus groups and events, to try and reach as many of our stakeholders as we can so that their views are heard.

## Feedback and Updates



Register for projects and policy updates via our website: [www.ssen-transmission.co.uk](http://www.ssen-transmission.co.uk)



Write to us or send us an email: [yourplanourfuture@sse.com](mailto:yourplanourfuture@sse.com)



Contact us through social media channels e.g. Facebook or Twitter: [@ssencommunity](https://www.facebook.com/ssencommunity)



Get in touch via your existing business contacts, or alternatively, via Alec Morrison, our Customer & Community Manager, on **07876 836 633**

This paper will be hosted on:

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