

nationalgrid

# ESO RIIO-2 Stakeholder Engagement Report

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June 2018



# Introduction

The Electricity System Operator (ESO) sits at the heart of the energy industry in Great Britain, we make sure homes and businesses have access to the electricity they need. The energy industry is experiencing significant change driven by decarbonisation, decentralisation and digitisation. The ESO has a significant role to play in leading and facilitating this change, but we need the insight and support of our customers, service providers and stakeholders to ensure that we focus on the right areas to deliver value for consumers.

Our long-term vision is an ESO that thinks across the whole energy system, plays a more active part in and helps to shape frameworks for markets. Alongside this, we will continue to operate the electricity system safely, securely and efficiently.

We understand from discussions with stakeholders that they want an ESO that drives value throughout the energy system by facilitating effective markets; stimulating investments and innovation to meet consumers' changing needs. Our aim is to exceed customers' expectations by becoming more transparent, working with others to consider the full range of options and to find optimal solutions across the whole energy system.

With the ESO becoming a legally separate business in April 2019 this is the first time we will have our own price control. We need to build our business plans with our customers and stakeholders to ensure we are focussing on the right issues and outputs. We will establish our own Stakeholder Group to challenge our business plans and host tailored engagement on the topics that matter to our stakeholders.

This Stakeholder Engagement report has been created to detail our current understanding of Consumer and Stakeholder priorities for RIIO-2 (listed on the next page), how the priorities were formulated and the feedback we received while developing the priorities and our planned engagement approach as we work together to build our business plans.

Contents	Page
Introduction	1
Our consumer and stakeholder priorities	2
Our stakeholder approach	3
Creating the consumer and stakeholder priorities	4
Stakeholder Priorities	6
Consumer Priorities	9
Ongoing engagement	10

## Our consumer and stakeholder priorities for RIIO-2

Based on your input, we will use the following consumer and stakeholder priorities (subject to regular review) to guide our RIIO-2 engagement and business planning activity.

### Our consumer priorities...

I want an affordable energy bill	I want to use energy when I want
I want a decarbonised energy system, fit for the future	I want a safe and secure energy system

### ...are delivered through our stakeholder priorities...

I want you to protect the system from cyber and external threats	I want efficient whole energy system operation
I want you to enable the smart, flexible and low carbon energy system of the future	I want to engage in more active wholesale and capacity markets
I want to provide more balancing and ancillary services	I want to connect to the electricity network in a timely manner
I want transparent and stable charges	I want you to be open, engaging and easy to work with
I want the information I need to be accurate and user friendly	

## Our stakeholder approach

We believe that enhanced stakeholder engagement will best enable for us to create business plans that reflect your needs. We have already undertaken extensive engagement activities, listening to what is important to you and using this feedback to inform our priorities. We are committed to working with our customers and stakeholders to help shape the future of the energy market and to understand how the ESO can best deliver value for our customers and consumers.



*“I believe that the level of engagement and support provided is highly commendable”*

ESO Stakeholder comment

### Our Approach

We are using a ‘constructive engagement’ approach, whereby we build our future business plans with our stakeholders. Stakeholder engagement will take place in many forms, with bilaterals, webinars and tailored workshop sessions to build on our day-to-day contact and existing understanding. We are also currently in the process of establishing an independently chaired stakeholder group to provide detailed challenge on our stakeholder approach and our business plan proposals. We have split our stakeholder engagement approach into three phases:

#### Listen

Listening to our stakeholders is something we do as part of our day-to-day activities. Now we’re bringing together the outputs of all our engagement activities from across the business and creating additional activities as part of a coordinated programme of engagement. This is a key part of our business planning process. From the listen phase, and using the feedback and information you provided, we established the stakeholder and consumer priorities which our future engagement activities will be based on.

#### Co-Create

The phase we’re calling ‘co-create’ is where we build our plans with you, our customers and stakeholders, based on your priorities. Under each of the priorities we have identified several topics we know are important to you and we will want to engage with you on in more detail. We will work with expert stakeholders on each topic but also make sure we provide opportunities for a wider set of stakeholders to get involved. We will do this through a variety of channels and we will provide regular updates to you on what we’re doing and how you can get involved. We will continue to the co-create phase of engagement until our plans are finalised.

#### Propose

During this stage, we will publish our business plan proposals for stakeholders to review and comment on ahead of our submission. This will give you the opportunity to understand how your views have shaped our proposals and comment on our whole plan, and understand its impact on customer charges and household bills.

# Creating the consumer and stakeholder priorities

As the ESO we engage widely and use many channels to share information and listen to your feedback. We have an extensive and diverse group of stakeholders who we have engaged with in a variety of ways over the last year. We have listened to what is important to you and will build on those conversations throughout our preparations for RIIO-2.

We used a mixture of existing and targeted engagement events to help us draft and test consumer and stakeholder priorities for RIIO-2. The following is just an example of some of the engagement programmes we have hosted or participated in over the last year.



## Future Energy Scenarios

- 3000 stakeholders
- 4 workshops per year
- 1 annual conference
- Regular bilaterals



## Customer Surveys

- 150 customers and stakeholders surveyed annually

## Charging Futures

- 4 forums per year
- 100 attendees in February 2018



## Industry Forums we attend

- Regional Development programmes
- Smart Power Industry Alliance
- ENA Open Networks Project



## ESO Forward Plan

- 21 draft Forward Plan consultation responses
- 170 attendees at ESO hosted launch event, workshop and webinar
- 25 organisations engaged at industry association workshops
- 3 Ofgem workshops on Roles and Principles with 20 stakeholders

## Forums we host

- Electricity Operational Forum
- Electricity Settlements Forum
- Transmission Charging Methodology Forum

In addition, we used the feedback you provided in the following RIIO-2 based engagement:



An independent research study covering stakeholders and a targeted group of MP's in late 2017



Our regular bilateral conversations with customers and stakeholder



Over 2,000 members of the public took part in an independent research study to establish their priorities in late 2017



Our ongoing customer and stakeholder satisfaction surveys



An online stakeholder webinar in April 2018 with 104 attendees from 69 organisations



*“Engagement has been excellent.”*

*ESO Stakeholder response in survey*

## Stakeholder priorities

We used what we heard over the last year to create nine draft stakeholder priorities



***“Make the decision-making process for system services as transparent as possible.”***

*ESO Stakeholder comment*

Three main themes emerged in our conversations about stakeholder priorities:

- The electricity system you need
- Enabling the system you need
- How we work with you and others

We have listed some examples of what you said under each of these themes:

### The electricity system you need

“The main issues facing our energy system are the costs to the consumers. The main priority for investment should be renewables”

“Older consumers demand reliability and security no matter what, and although younger consumers want this too they also need National Grid to adapt to their future demands

“Prioritise low-carbon, affordable electricity supplies and a move towards a smarter energy system.”

“Prioritise low-carbon, affordable electricity supplies and a move towards a smarter energy system.”

“There are cyber security risks from the emergence of big data”

“We need to ensure that our work is more focused on driving the right outcomes for consumers”

“We need resilient, flexible infrastructure for security of supply”

“We need a reliable, secure, carefully managed system”

## Enabling the system you need

“You need to think of your customers in the connections process”

“The ESO needs to plan ahead for ancillary services and send clear signals”

“We need to enable new technologies and business models”

“SNAPS is good, but we want more”

“You need to get ahead of the pace of change and send clear signals”

“We have trouble getting connection capacity”



## How we work with you and others

“Transparency and accuracy of information needs to improve”

“We need to think beyond electricity, considering implications of decarbonisation of heat and transport”

“You need to clarify what you mean by ‘whole system’”

“Your decision making is currently a black box”

“Gas and electricity systems potentially need bringing closer”

“Assumptions change without being communicated”

“The expertise needed is within the ESO; you have highly knowledgeable staff”

“We need to rethink charges to make them fit for purpose”



All of the comments we received were reflected in our nine draft stakeholder priorities below:

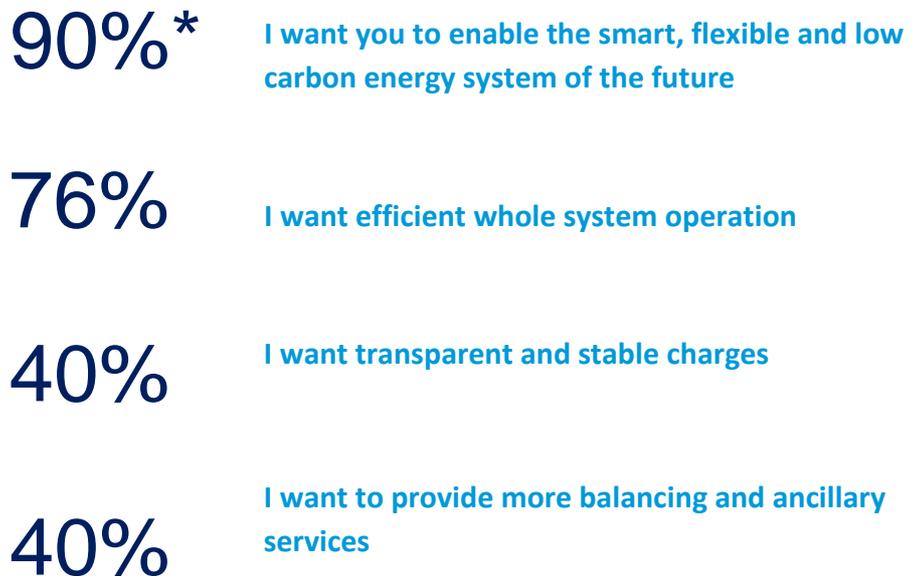
I want you to protect the system from cyber and external threats	I want efficient whole energy system operation
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### Testing what we heard

At our webinar on 26th April and in our subsequent survey, we tested these priorities to ensure they reflected what you wanted us to focus on.

Each of our draft priorities appeared in at least ten per cent of respondents 'top 3' priorities. We believe this reflects the diverse nature of our stakeholders and the range of issues they care about.

The following priorities received the most support:



\*Percentage of respondents who included the priority in their 'top 3'.

Based on our conversations over the last year and the direct feedback on our draft stakeholder priorities, we believe we should retain all nine priorities as we develop our future engagement and build our business plans. All the priorities have been identified by a significant number of stakeholders as being important to them.

# Consumer Priorities

Consumer's interests are at the heart of what we do and central to the decisions we make.



*“Affordable and secure energy are our highest priority”*

ESO Stakeholder response in survey

To create our consumer priorities, we conducted independent market research to understand what consumers wanted and expected from the energy industry. This consisted of an online survey of a nationally representative sample of 2,081 UK adults that took place 25-28 September 2017.

After analysing this data alongside:

- direct feedback from our customers, stakeholders and consumer representatives
- a wider review of Ofgem, Government and other policy documents

we captured what we believed to be the main priorities:

I want an affordable energy bill

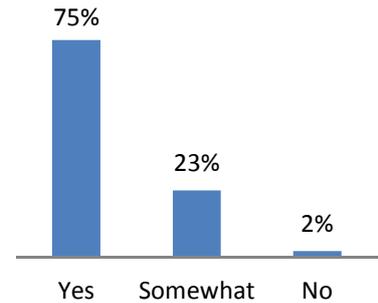
I want to use energy when I want

I want a sustainable energy system

I want a safe and secure electricity system

## The Results

Do the consumer priorities resonate with you?



98% of our stakeholders believed we had adequately represented what consumers care about. Many stakeholders suggested that we better reflect the focus on a greener, decarbonised energy system. We have done this by updating the following priority:

I want a sustainable energy system

I want a decarbonised energy system, fit for the future

Through the online survey and during the webinar we asked you if our draft consumer priorities resonated with you. There were 75 respondents in total and we have summarised the results here:

We are committed to further understanding what is important to consumers and to ensuring that we provide value for money to the end consumer bill. Our customers and service providers are our best link to end-consumer priorities and we will work with them to ensure we continue to reflect their needs within our business planning activities.

We will also continue to interact, including through representation on our Stakeholder Group, with consumer groups, wider stakeholders and other experts to ensure our business plans will deliver on these commitments.

## Ongoing engagement

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**As we continue our engagement into the co-create and propose phases we will make sure to use a mixture of channels, including workshops, online consultations, focus groups, face-to-face meetings and social media.**

We are currently defining our key topics that we will be talking to you about and will share our emerging thinking on these topics over the coming months.

A summary of our engagement approach, plans, upcoming events and how you can get involved can be found at:

<http://yourenergyfuture.nationalgrid.com>

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