

- ▶ Who we are
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Our business plan 2015-23

A guide to our plan

March 2014





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1

Our plan on a page

Northern Powergrid (Northeast) Ltd Business plan

Key facts about our network

- ▶ [1.5m domestic and 0.1m business customers, covering 14,400 sq km in the northeast of England.](#)
- ▶ 99.99% reliability.
- ▶ 15,500GWh of electricity distributed in a year.
- ▶ Peak winter demand of 2.8GW.
- ▶ 1.3GW of generation directly connected to our network, from windfarms to domestic solar panels.
- ▶ Contact centre handles 270,000 customer calls each year – open 24 hours a day, 365 days a year.
- ▶ Our group website has 0.5 million visits each year.
- ▶ Around 170,000 customers on our priority services register.
- ▶ In 2012, highest ever capital investment expenditure at £146m, 51% higher than in 2011.
- ▶ 250 primary substations and 26,000 distribution substations.
- ▶ 14,800km of overhead lines and 25,800km of underground cables.
- ▶ 9,000 new or upgraded connections to our network annually at a cost of £38m.
- ▶ One of the largest companies in the Northeast, with 1,360 full-time equivalent (FTE) employees.
- ▶ Our safety record has won us a RoSPA gold award for the last 10 years.
- ▶ We obtained a silver award from Business in the Community for our environmental performance.

What we plan to do

- ▶ **Bills:** Reduce bills in 2015-16 by 12% for domestic customers and 14% for business customers.
- ▶ **Costs:** Reduce overall like-for-like costs by 1.8% per annum relative to today.
- ▶ **Reliability:** Reduce the length of unplanned power cuts by 20%, and the number of unplanned cuts by 8%. Increase the payment to customers when we fail to meet guaranteed standards for restoring supply after a routine power cut.
- ▶ **Asset health:** Invest £282m in asset replacement and £67m in reinforcement, as well as £57m in maintenance. Maintain the underlying health of our assets.
- ▶ **Resilience:** Improve resilience to flooding at 64 higher-risk substations, at a cost of £17m.
- ▶ **Safety:** Reduce accident rates by 50%. Maintain position as one of the safest electricity distributors.
- ▶ **Environment:** Reduce carbon emissions by 10% and oil leaks by 15%.
- ▶ **Low-carbon challenge:** Spend £46m to enable low-carbon technology (LCT) connections. This is a relatively low LCT-growth scenario: we will manage the risk of higher LCTs on behalf of customers, and we will build the flexibility to meet any LCT scenario should it arise.
- ▶ **Smart network technologies:** Use innovative smart solutions to enhance capacity and unlock potential cost savings to 2031 of around £90m.
- ▶ **Innovation:** Focus much of our £12m of innovation investment on developing low-carbon solutions.
- ▶ **Customer service:** Improve customer choice by increasing use of digital channels and providing personalised services where demanded. Redirect resources to proactive contact and engagement.
- ▶ **Connections:** Shorten routine connection lead times by more than 30%, and tailor connections service to meet the needs of different types of customer. Make it easier for competitors to offer services in our region.
- ▶ **Social obligations:** Become much more active, delivering new services to those who need the most help, particularly prior to and during power cuts.
- ▶ **Targets:** Adopt all the targets proposed by Ofgem, and add more measures of performance against which our delivery may be judged.
- ▶ **Uncertainty mechanisms:** Take the risk of our cost forecasts and assumptions. No uncertainty mechanisms are required beyond those that Ofgem thinks add value for customers.
- ▶ **Financing:** Utilise our ownership structure and strong balance sheet to benefit customers by bearing risk where we are best placed to do so. Financial parameters all within the range proposed by Ofgem.
- ▶ **Deliver for stakeholders:** Our plan is informed by views from almost 5,000 stakeholders, and positively endorsed by expert panels; one of the largest energy suppliers; and over 80% of customers surveyed.

How much we propose to spend and how it will be financed

Cost of Equity	6.7%	Notional Gearing	65.0%
All amounts in 2012-13 prices	Total spend over the course of the price control	Annual average percentage change from DPCR5	
Network Investment	£692.2m	2.7%	
Operating Costs	£701.4m	8.0%	

How much this will impact domestic customer bills

Distribution charges typically make up 16% of the average overall domestic bill

All amounts in 2012-13 prices	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Percentage change in distribution costs	N/A	-12.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Annual change in £s	N/A	-12.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total distribution charge in £s	100.64	88.50	88.50	88.50	88.50	88.50	88.50	88.50	88.50

These one-page summaries of our plan have been produced in order to provide stakeholders with a quick and easy summary of key information. The aim of our regulator in developing this standard format has been to enable straightforward comparison between each of the local electricity network companies.

We have completed the template as requested separately for each of our two licensed businesses – Northeast and Yorkshire. You will find that in the majority of our plan we describe our activity on a consolidated Northern Powergrid basis since we operate as a single company and most of our priorities are common to both of the regions in which we operate.

Northern Powergrid (Yorkshire) plc Business plan

Key facts about our network

- ▶ [2.1m domestic and 0.2m business customers, covering 10,700 sq km in Yorkshire and northern Lincolnshire.](#)
- ▶ 99.99% reliability.
- ▶ 22,700GWh of electricity distributed in a year.
- ▶ Peak winter demand of 4.2GW.
- ▶ 1.3GW of generation directly connected to our network, from windfarms to domestic solar panels.
- ▶ Contact centre handles 340,000 customer calls each year – open 24 hours a day, 365 days a year.
- ▶ Our group website has 0.5 million visitors each year.
- ▶ Around 210,000 customers on our priority services register.
- ▶ In 2012 highest ever capital investment expenditure at £196m, 49% higher than in 2011.
- ▶ 440 primary substations and 32,700 distribution substations.
- ▶ 13,400km of overhead lines and 39,800km of underground cables.
- ▶ 19,000 new or upgraded connections to our network annually at a cost of £41m.
- ▶ One of the largest companies in Yorkshire, with 1,440 full-time equivalent (FTE) employees.
- ▶ Our safety record has won us a RoSPA gold award for the last seven years.
- ▶ We obtained a silver award from Business in the Community for our environmental performance.

What we plan to do

- ▶ **Bills:** Reduce bills in 2015-16 by 6% for domestic customers and 7% for business customers.
- ▶ **Costs:** Reduce overall like-for-like costs by 4.1% per annum relative to today.
- ▶ **Reliability:** Reduce the length of unplanned power cuts by 20%, and the number of unplanned cuts by 8%. Increase the payment to customers when we fail to meet guaranteed standards for restoring supply after a routine power cut.
- ▶ **Asset health:** Invest £362m in asset replacement and £82m in reinforcement, as well as £83m in maintenance. Maintain the underlying health of our assets.
- ▶ **Resilience:** Improve resilience to flooding at 77 higher-risk substations, at a cost of £24m.
- ▶ **Safety:** Reduce accident rates by 50%. Maintain position as one of the safest electricity distributors.
- ▶ **Environment:** Reduce carbon emissions by 10% and oil leaks by 15%.
- ▶ **Low-carbon challenge:** Spend £89m to enable low-carbon technology (LCT) connections. This is a relatively low LCT-growth scenario: we will manage the risk of higher LCTs on behalf of customers, and we will build the flexibility to meet any LCT scenario should it arise.
- ▶ **Smart network technologies:** Use innovative smart solutions to enhance capacity and unlock potential cost savings to 2031 of around £299m.
- ▶ **Innovation:** Focus much of our £17m of innovation investment on developing low-carbon solutions.
- ▶ **Customer service:** Improve customer choice by increasing use of digital channels and providing personalised services where demanded. Redirect resources to proactive contact and engagement.
- ▶ **Connections:** Shorten routine connection lead times by more than 30%, and tailor connections service to meet the needs of different types of customer. Make it easier for competitors to offer services in our region.
- ▶ **Social obligations:** Become much more active, delivering new services to those who need the most help, particularly prior to and during power cuts.
- ▶ **Targets:** Adopt all the targets proposed by Ofgem, and add more measures of performance against which our delivery may be judged.
- ▶ **Uncertainty mechanisms:** Take the risk of our cost forecasts and assumptions. No uncertainty mechanisms are required beyond those that Ofgem thinks add value for customers.
- ▶ **Financing:** Utilise our ownership structure and strong balance sheet to benefit customers by bearing risk where we are best placed to do so. Financial parameters all within the range proposed by Ofgem.
- ▶ **Deliver for stakeholders:** Our plan is informed by views from almost 5,000 stakeholders, and positively endorsed by expert panels; one of the largest energy suppliers; and over 80% of customers surveyed.

How much we propose to spend and how it will be financed

Cost of Equity	6.7%	Notional Gearing	65.0%
All amounts in 2012-13 prices	Total spend over the course of the price control	Annual average percentage change from DPCR5	
Network Investment	£920.5m	0.4%	
Operating Costs	£924.6m	5.7%	

How much this will impact domestic customer bills

Distribution charges typically make up 16% of the average overall domestic bill

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
All amounts in 2012-13 prices									
Percentage change in distribution costs	N/A	-5.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Annual change in £s	N/A	-4.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total distribution charge in £s	82.60	77.75	77.75	77.75	77.75	77.75	77.75	77.75	77.75

2

Introducing ourselves



2.1 Who we are

Northern Powergrid runs the only major electricity distribution network that provides power to customers in the Northeast, Yorkshire and north Lincolnshire.

We move electricity to and from homes and businesses over our network – we don't sell electricity, neither do we operate power stations.

We operate as one company but we are regulated by the energy regulator, Ofgem (the Office of Gas and Electricity Markets), as two licensed businesses:

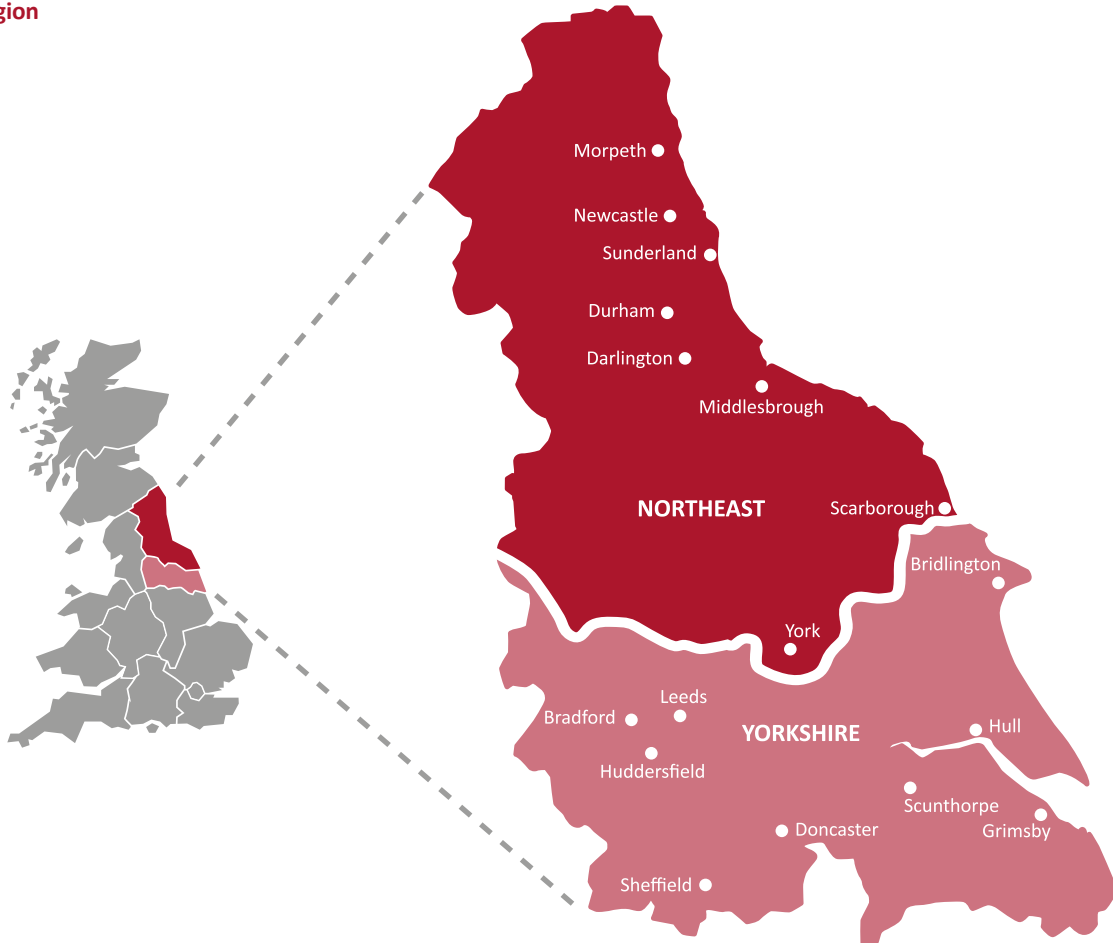
Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc.

We are amongst the larger businesses in our region. We directly employ over 2,200 people, and also engage contractors and their staff who work with us to keep the lights on in our part of the country.

We are a wholly-owned subsidiary of MidAmerican Energy Holdings Company (MidAmerican), which owns other energy companies – mainly in North America.

MidAmerican is a subsidiary of Warren Buffett's Berkshire Hathaway, Inc. Mr Buffett is famous for his long-term approach to investing and for his relatively conservative approach to running businesses. That approach is well suited to a business like ours, which requires a lot of capital investment in assets that will last a long time.

Figure 1: Our region





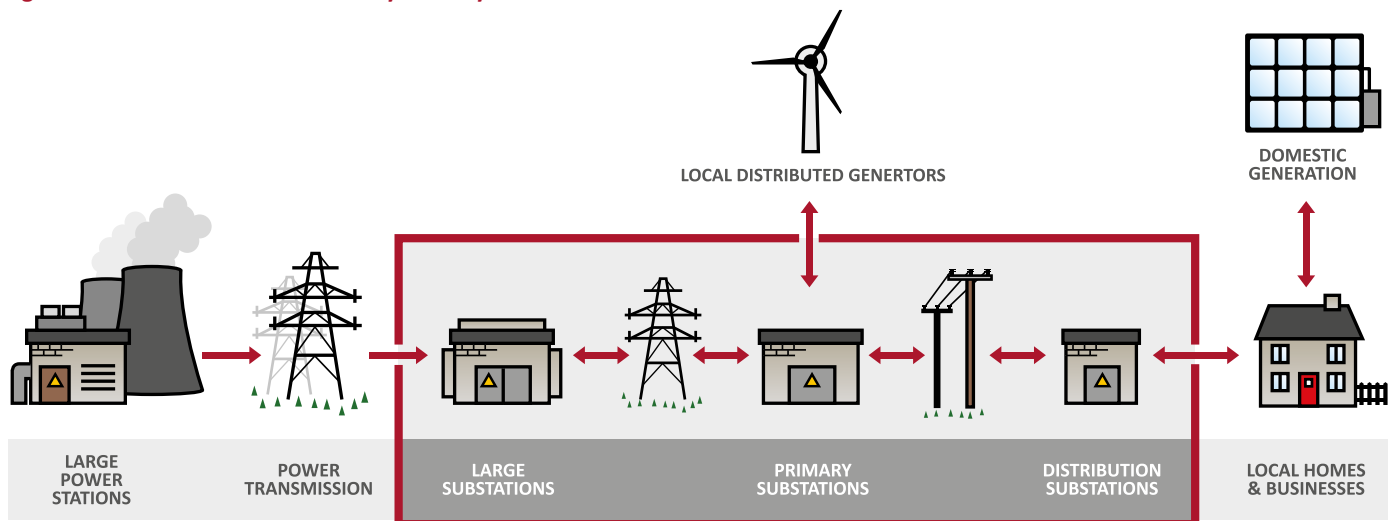
2.2 What we do

We are responsible for the safe, secure and cost-effective delivery of electricity to around eight million people in 3.9 million homes and businesses. We take electricity from National Grid’s transmission network (which connects the larger power stations) and from smaller generators (such as windfarms) that are directly connected to our network. Through our network of substations, overhead power lines and underground cables, we distribute the power that homes and businesses use.

We are open for business every hour of every day – no matter what the circumstances.

Another important part of our business is providing customers with new or upgraded connections to our network. Other than when customers experience a power cut, this is the main reason they contact Northern Powergrid. Increasingly, customers can go to other companies to provide part or all of this service. We welcome this competition and are helping to make it more effective.

Figure 2: Where we fit in the electricity industry





2.3 The region we serve

The region we serve is varied geographically, demographically and socially and these variations bring their own challenges. Our plan shows how we respond to these features, many of which have evolved as our business has evolved.

Yorkshire and northeast England are exposed to some of England's worst weather. We have become adept at managing severe weather and we cover the effects of this in more detail in the outputs section of our plan. In recent years, flooding has become a regular part of our weather pattern and the river systems in our region, particularly in Yorkshire, are notorious for flooding. Our plan has been built at a time when this issue was a high priority for our customers and this is reflected in the feedback we received, which we have taken account of in our investment plan.

The topography of our region sometimes presents a challenge and the four National Parks in our area include some of Britain's most spectacular scenery, as well as its least hospitable landscapes. Our vehicle fleet includes tracked vehicles and a high proportion of four-wheel-drive vehicles as we need to access the Yorkshire Dales, North York Moors or North Northumberland in the worst conditions.

Figure 3: Our service area and our company locations





2.4 The people we serve

Our territory includes Northumberland and North Yorkshire, the two most sparsely-populated counties in England,¹ as well as three of the 10 largest conurbations.

This mix is reflected in our network, which is weighted toward overhead line in rural areas and is dominated by underground cable in urban areas. Our industrial port areas (Hull and Teesside) have high densities of high-voltage equipment reflecting the industrial concentration in these areas. We are well served by National Grid interconnection points, a legacy of the coal industry in our region, and the number of power stations built here.

The concentration of urban development and industrial legacy has also led to areas of social deprivation and unusually low rates of employment. Our region includes 22% of the most socially deprived areas in England.³ And with its population of 8 million, our region is home to just over 15% of the population of England. This above-average share of social deprivation represents a real and well-publicised problem in many of our communities.

The unemployment rates in the Northeast and Yorkshire are currently running at 10.0% and 8.6% respectively, against a national (UK) average of 7.2%. The Northeast suffers from the highest rate of unemployment in the UK. The same theme is reflected in the amount of social housing, where our regions contain a disproportionate share of the country's social housing stock.

As an electricity network operator, we need to be aware of these problems and forge the right links with those who are trying

Table 1: UK conurbations by population

Rank	Conurbation	Population in millions ²
1	London	8.3
2	West Midlands	2.3
3	Manchester	2.2
4	Leeds/Bradford	1.5
5	Glasgow	1.2
6	Tyneside	0.9
7	Liverpool	0.8
8	Nottingham	0.7
9	Sheffield	0.6
10	Belfast	0.6

to tackle them. We hope our plan recognises this need in a new and potentially valuable way.

As well as recognising the most vulnerable in our communities, our own investment affects our region by creating jobs (we expect to employ 1,000 new people over the 2015-23 period) and through the local economic benefits we create. A study commissioned jointly by Northern Powergrid, Yorkshire Water,⁴ Northumbrian Water and Northern Gas Networks found that every £1 spent in our region created £1.93 of economic benefit through the 'trickle-down' effect. As a big business in our region, the impact we have goes well beyond our own corporate

decisions and has the capacity to make a major difference in our communities.

Our own heritage is a proud one as we serve the area where Britain's electricity pioneers first established large-scale municipal powergrids. Our industry was born in Newcastle in 1878 when Sir Joseph Swan exhibited the first incandescent filament lamp at the Newcastle-upon-Tyne Chemical Society. The energy sector has flourished in our region ever since, with the first three-phase generating station and the first industrial electricity supply instituted by the North-East Electric Supply Company in 1901. We are proud to continue the work of Merz, McLellan, Parsons and Reyrolle in the North, providing essential infrastructure and a vital service to our communities.

¹ Office of National Statistics 2011. Northumberland: 63 people per sq km, North Yorkshire: 70 people per sq km, UK average: 260 people per sq km.

² Office of National Statistics 2001 census information.

³ Source: Department of Communities and Local Government, English indices of deprivation 2010.

⁴ Published at www.infrastructurenorth.co.uk.

3

Our business plan

3.1 What this document is for

We are a regulated business and our prices are controlled by Ofgem. To enable Ofgem to determine what we should charge in the next regulatory period – 2015-23, known as the RIIO-ED1 period – we have prepared this business plan after listening to a wide range of stakeholders.

This document is an opportunity for us to present our proposals for continuing to provide our service to customers and offer good value for money. It also allows us to explain how much it will cost us to run our business and fulfil our commitments to those who use our network. We call these commitments our ‘outputs’ in this plan. In June 2013 we prepared a previous version of this plan and submitted it to Ofgem. Subsequently Ofgem asked us to review that previous plan in the light of its observations and submit a revised plan in March 2014. Ofgem will now review this revised plan and determine our revenues for the 2015-23 period. We should receive Ofgem’s final decision in November 2014.

Ofgem described our previous plan as ‘very well developed and presented, demonstrating high quality stakeholder engagement’. It particularly endorsed our output plans, our approach to managing uncertainty and risk and our innovation strategy. Consequently, all the fundamental

aspects of our plan in these areas remain unchanged. Although our financing proposals were given a green light by Ofgem we have modified this section of our plan to take account of Ofgem’s February 2014 decision on appropriate market returns.

The ‘Networks’ area of Ofgem’s website⁵ contains a variety of useful references that explain the regulated environment in which we operate. These include:

- ▶ Price controls explained – Factsheet 116 ;
- ▶ Handbook for implementing the RIIO model;
- ▶ RIIO-ED1 price control review;
- ▶ Strategy decision for the RIIO-ED1 electricity distribution price control;
- ▶ Assessment of the RIIO-ED1 business plans; and
- ▶ Initial Assessment of the RIIO-ED1 Innovation Strategies.

Throughout our plan we have tried to avoid using technical terms that will be unfamiliar to the general reader.

However, we have provided a glossary of terms and abbreviations used in our business plan at [annex GL.1](#).



⁵ Documents can be viewed by searching for their titles at ofgem.gov.uk.



3.2 Who should read this document

This document has been written for all our stakeholders who have an interest in the services we provide to customers and the value for money we offer.

Our business plan will be of direct interest to Ofgem, our regulator, and it has been designed to meet the requirements that Ofgem has published on how the plan should be presented. However, we expect that it will also be of interest to other stakeholders. Most stakeholders will find everything that they want to know about our plan in the Executive summary. But if you want more than that, we identify below which sections of this document are most likely to be of interest to different groups of stakeholders.

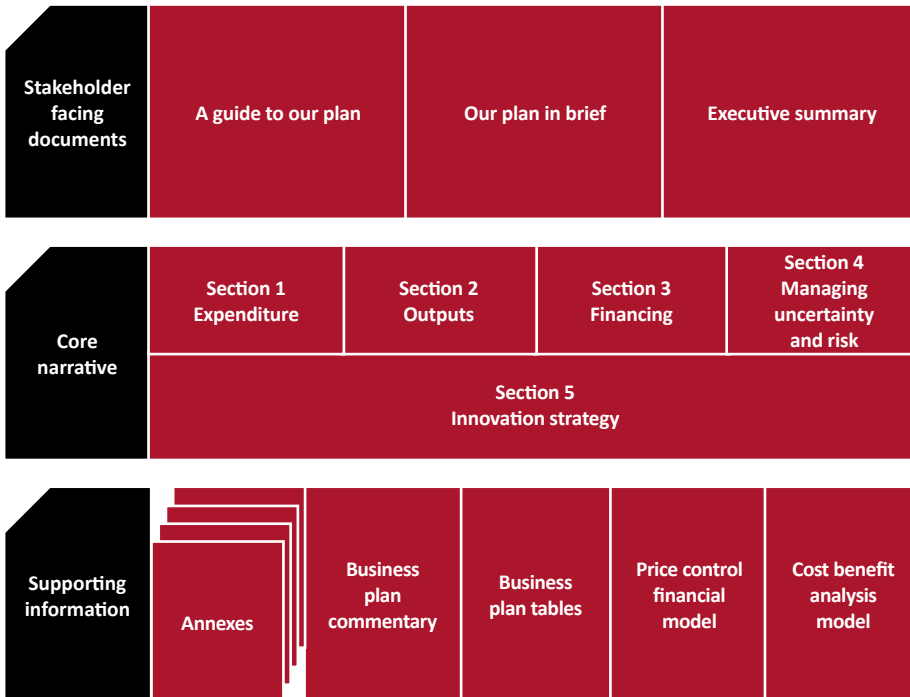
- ▶ **Customers.** Our charges form part of what you pay to energy suppliers for the electricity that you use. [Section 3](#) of the core narrative of our business plan provides information on the impact on prices of the plan we are putting forward. You may also be interested in the standard of service that we provide when you get in touch with us if you experience a power cut or need a new connection. [Section 2](#) of the core narrative of our business plan includes information on how we will improve our customer service in the next few years.
- ▶ **Energy suppliers and generators.** You are likely to be particularly interested in the section on future bills in the financing section ([section 3.11](#) of the core narrative of our business plan) and in the investment levels we envisage, contained in the expenditure section ([section 1](#) of the core narrative). You may also be interested in our plans for innovation ([section 5](#) of the core narrative) to understand the part we expect to play in the roll-out of smart meters ([section 1.5](#) of the core narrative) and in the development of smart grids ([section 1.4](#) of the core narrative) more generally.
- ▶ **Policy makers and public-interest groups.** We have to comply with a wide range of safety, environmental and other regulations and policies. You may therefore be interested in the sections dealing with the environment, safety, social obligations, sustainable networks and the costs of our activities ([sections 1](#) and [2](#) of the core narrative).
- ▶ **Local and national politicians, local authorities, voluntary and charitable organisations, bodies with a regional interest.** We know that our operations can have a considerable impact on the communities in which we operate.
- ▶ You will have an interest in the sections dealing with street works, new connections, social obligations, including how we treat our vulnerable customers, and sustainable networks ([section 2](#) of the core narrative). On behalf of customers, politicians and consumer groups may also be interested to read the parts of our business plan that deal with proposed performance levels and prices ([sections 2](#) and [3](#) of the core narrative).
- ▶ **Our employees and their trade unions.** A significant number of our employees have been directly involved in the development of our business plan. It will give you an insight into how our business is going to change in the future and the work that you can do to help us achieve our goals. You may also be interested to read the section on workforce renewal and the financial section, which includes pensions ([sections 1](#) and [3.9](#) of the core narrative, respectively).
- ▶ **Financial institutions, including debt investors.** You are likely to be interested in our current financial health and our proposals to 2023. This information can be found in [section 3.4](#) of the core narrative.

3.3 Navigating our plan

The overall structure of our plan

The diagram below shows the structure of our business plan.

Figure 4: The structure of our business plan



Part 1: is a suite of three documents that are designed for stakeholders. It comprises:

- ▶ this [Guide to our plan](#), which is designed to orientate you to the suite of plan documents and let you know the process by which they were created;
- ▶ an easy-to-read [Our plan in brief](#) booklet, which gives you a bit more information about what we plan to do and how much it will cost; and
- ▶ an [Executive summary](#), which brings it all together in enough detail for stakeholders to get a good idea of what we are proposing.

Part 2: is the core narrative of our plan, aimed primarily at the reader with a professional interest in our business. This part is much more detailed and comprises:

- ▶ [Section 1](#): Expenditure;
- ▶ [Section 2](#): Outputs;
- ▶ [Section 3](#): Financing;

▶ [Section 4](#): Managing uncertainty and risk; and

▶ [Section 5](#): Innovation strategy.

Part 3: comprises a range of supporting information. A full list is included in [annex G.0](#). These set out further detail on how we will deliver our plan, and provide the background and assumptions that underlie it. These annexes will be of interest mainly to the professionally-interested reader – for example someone who works for Ofgem or who has been appointed by Ofgem to provide an expert view of a particular aspect of our plan.

In this latest version of our plan we have included 22 new annexes that have been produced in order to provide our regulator with extra justification of our costs. These, and the various changes we have made to our plan, are fully described in a further new [annex G.12](#). On the following page we have included table 2, which describes the changes to costs and revenues in this revised plan (compared with the plan in June 2013).

In a very limited number of cases, we have provided information on a confidential basis only to our regulator, and have not made it public. This applies to information that could be contractually sensitive or that, if publicised, could undermine our ability to negotiate a keen price for the services we buy in the plan period.

These annexes also contain spreadsheet templates that our regulator, Ofgem, has asked us to complete as part of the price control review. Again, some of the more detailed spreadsheets show disaggregated cost data that we have not published so as to protect our suppliers' cost information or to preserve our ability to get the best deal we can from our suppliers.

A detailed table that maps individual cost, output, finance and uncertainty areas to the relevant sections of our plan is included in [annex G.10](#) to help our readers locate content.

Table 2: Plan changes (March 2014 compared with June 2013)

Totex £m 2012-13 prices	Network investment	Network operating costs	Indirect costs	Non-operational capex	RPEs	Low-carbon technologies	Smart meters & severe weather	Non-activity based costs	Total – 8 years
RIIO-ED1 total costs per June 2013 business plan	1,247	755	823	131	41	142	108	786	4,032
Existing controllable costs									
Reduce fault costs		(17)							(17)
Reduce smart meter installation defects		(3)							(3)
Reduce real price effects					(62)				(62)
Reduce tele-control battery costs	(1)								(1)
Increase spend on undergrounding in protected landscapes	1								1
Subtotal	0	(20)	0	0	(62)	0	0	0	(82)
New outputs									
Include additional overhead line replacement scheme	20								20
Include diversions due to rail electrification	61								61
Subtotal	81	0	0	0	0	0	0	0	81
Non-controllable costs									
Delay the investment at Blyth to match customer requirements	9								9
Reflect latest forecast for exit charges								(9)	(9)
Reflect latest forecast for business rates								45	45
Subtotal	9	0	0	0	0	0	0	36	45
RIIO-ED1 total costs per March 2014 business plan	1,337	735	823	131	(21)	142	108	822	4,076

Revenues £m 2012-13 prices	Total – 8 years
RIIO-ED1 revenues per June 2013 business plan	4,876
Reduce cost of debt from 2.92% Ofgem assumption to 2.72%	(28)
Reward for proportionate treatment rather than fast track (2.5% reduced to 2.0%)	(17)
Revised forecast of costs – impact on revenues of £44m cost increases	26
RIIO-ED1 revenues per March 2014 business plan	4,857

Mapping our plan to Ofgem’s criteria and requirements

To ensure that we provide the information that our regulator needs to assess and compare all companies’ business plans, Ofgem has provided a list of criteria that

must be met. Table 3 below shows Ofgem’s five core criteria and the key questions that it will consider in assessing business plans against those criteria: alongside, we show where we have addressed each of these questions in our business plan.

We have also included as an annex a document for our regulator that identifies where in our documentation we have met each of the requirements for the business plan set out in Ofgem’s March 2013 strategy decision.

Table 3: Ofgem’s assessment criteria for business plans

Ofgem criteria	Location in business plan
Process: Has the DNO followed a robust process?	
Is the business plan clearly presented, with all key content included?	Chapter 3 of this guide and annex G.12 with changes since June 2013
Has the distribution network operator (DNO) engaged with stakeholders, and explained how this has influenced its business plan?	Chapter 4 of this guide and throughout the core narrative
Has the DNO submitted, and justified, all data tables and the Price Control Financial Model?	Core narrative sections 1 to 5
Does the business plan provide a strategy for long-term delivery?	Core narrative section 1 and annex 1.8
Outputs: Does the plan deliver the required outputs?	
Has the business plan covered the outputs specified in our strategy decision or provided clear and compelling justification for any departures from the strategy decision?	Core narrative section 2 and annexes 2.1-2.14
Has the DNO explained the resource implications for delivery of each output identified?	Core narrative section 1 for expenditure proposals and section 2 for how specific outputs link to specific costs
Has the DNO explained how it will deliver outputs, and justified output baseline/forecast?	Core narrative sections 1 and 2
Has the DNO explained the quality of its existing outputs and secondary deliverable information (including information on asset health, criticality and asset risk) and how it plans to improve this information in future?	Core narrative section 2.8 and annex 2.2
Resources (efficient expenditure): Are the costs of delivering the outputs efficient?	
Has the DNO demonstrated that cost projections are efficient?	Core narrative section 1.2 and annexes 1.13 to 1.34
How does the plan compare with others/does it reflect wider best practice?	Core narrative section 1.2 and section 5
Has the DNO demonstrated that its financial costs are efficient (e.g. through market-testing)?	Core narrative section 1.2
Has the DNO explained cost projections in the context of historical performance?	Core narrative section 1
Has the DNO demonstrated a consideration of alternative approaches to achieving value for money in the delivery of its outputs?	Core narrative section 1 and section 5
Has the DNO clearly linked its expenditure to relevant outputs and secondary deliverables?	Core narrative sections 1 and 2
Resources (efficient financing): Are the proposed financing arrangements efficient?	
Does the business plan conform with the financial policies specified in the strategy? Are any departures well justified?	Core narrative section 3
Has the DNO provided evidence that financial costs are efficient?	Core narrative section 3
Is the data in the plan consistent and has the DNO explained cost projections in the context of historical performance?	Core narrative section 1
Uncertainty and risk: How well does the plan deal with uncertainty and risk?	
Has the DNO clearly articulated the key uncertainties it faces and considered how it will address them (e.g. including uncertainty mechanisms)?	Core narrative section 4
Has the DNO considered risk and how to mitigate those risks?	Core narrative section 4

4 Process for developing our business plan

The process we have used for developing our business plan had the following objectives. We wanted to:

- ▶ involve people from across our whole business;
- ▶ ensure that feedback from our stakeholders influenced our plan;
- ▶ ensure that all data included in the plan was accurate; and
- ▶ align our process to Ofgem’s guidelines.

We are confident that our process allowed us to meet these objectives and produce a strong business plan for the eight years from 2015.

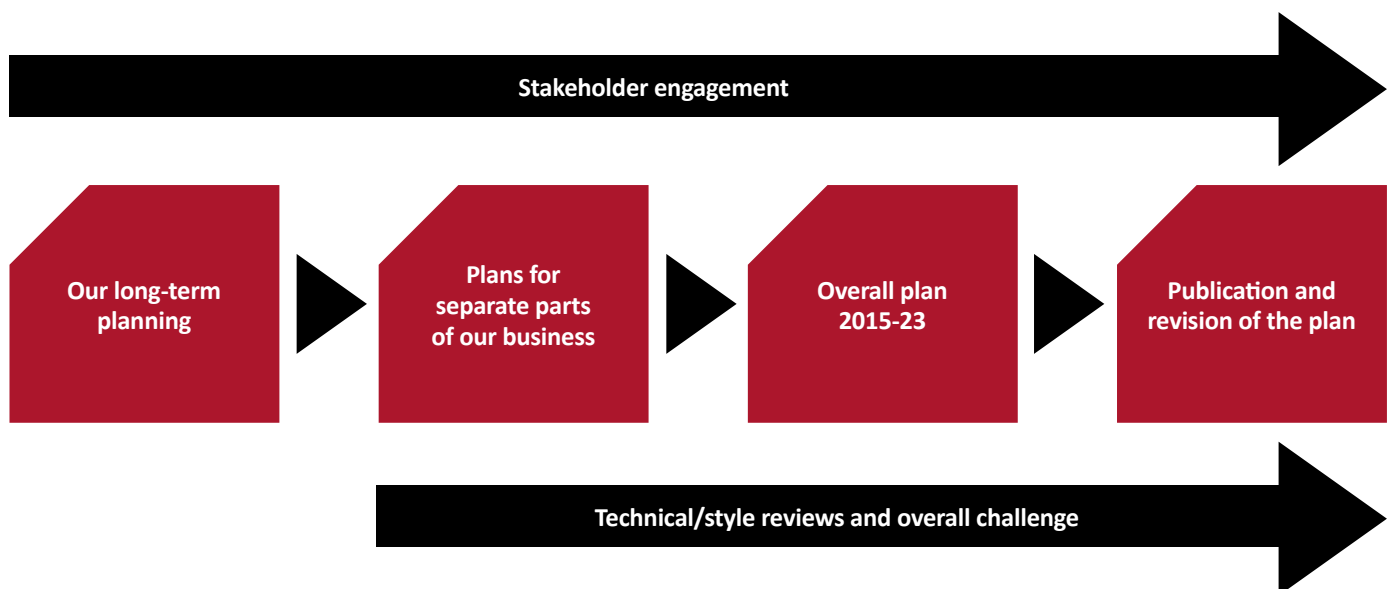
The remainder of this chapter is split into the following two sections:

- ▶ **Internal process.** This section describes the process that we went through in developing this business plan, and how we validated the plan that we produced.
- ▶ **Stakeholder engagement.** Here we provide details of how we ran our stakeholder engagement; the stakeholders with whom we engaged; the questions that we asked them; the responses that we received; and how that feedback influenced our plans.

The following diagram summarises this process.



Figure 5: The process for developing our business plan



4.1 Our internal process

Through all the development stages of our business plan, we have followed Ofgem's guidance, published mainly in its strategy consultation and decision documents. Our business plan follows Ofgem's guidelines regarding content and structure and includes all requisite information and tables.

Developing the 2015-23 business plan

We realised very early on that our stakeholder engagement for this business plan would have to be deeper and wider than anything we had ever attempted before. To facilitate this we needed a good quality starting point for a new kind of conversation with our stakeholders.

Preparing long-term business plans is not new to us. Every year we prepare a detailed 10-year plan for our parent company, MidAmerican, and review it with our shareholder. To build our current plan we took the outputs of the first phase of our stakeholder engagement, which started in 2011, and fed it into our 2012 business plan. The business plan reviews are conducted during the summer and approved in the autumn of every year. We used the 2012 review as an opportunity to assemble a detailed view of the entire 2015-23 period and to secure our shareholder's support for a set of proposed outputs and costs that could form the basis of a more detailed discussion with stakeholders.

By October 2012 our thinking had firmed up sufficiently for us to prepare *Your powergrid*, which set out our emerging thinking for the next regulatory period and beyond. We published the document at the beginning of November 2012, and in so doing we were the first distribution network operator (DNO) to publish a clear and complete set of costs and outputs that reflected the stakeholder engagement that had taken place to date. We used *Your powergrid* to seek views from stakeholders that were then reflected in a major update that we published for stakeholders in April 2013. This update took the form of a dedicated website, with document-based support, which was launched in May 2013.



The update provided details of each major area of the plan, including the likely path of resulting prices if we were successful in our bid to secure fast-track approval of our plan from our regulator.

Using this additional detail, we carried out a final round of engagement before we finalised our plan for submission to Ofgem in June 2013. As stakeholders provided input to our developing plans, we kept our shareholder informed and secured its continuing support for the plan as it moved towards completion.

The mechanics of assembling our plan were very similar to the manner in which we assemble our business plans every year. Each major module of the plan was assigned to the executive team member who is accountable for that area of business performance.

These individuals were directly involved in engaging with the stakeholders most relevant to the section of the plan they were working on. They worked with their teams of experts to produce and evaluate options for outputs and costs, and assess the efficiency of our proposals against relevant benchmarks.

The chief executive and his executive leadership team were personally responsible for peer-reviewing the plan and consolidating its various components into an overall coherent proposition that balanced the needs and expectations of the various stakeholder groups. In doing this, the executive worked with a small central team that blended financial, engineering and economic expertise and challenged every component of the plan as it came together. We followed this process for the interim draft plans that were published in November 2012 and April 2013 in both printed and electronic forms, as well as for the version that was submitted in June 2013.

In November 2013 Ofgem asked us to prepare a revised version of our plan, taking account of its comments on the submission we had made in June 2013. This revised plan does not materially differ from the earlier plan that we had submitted in June 2013, but we have updated that plan to take account of the latest available data on outturn and forecast cost levels and some new outputs. This revised plan also provides further justification for any costs where Ofgem invited us to provide further justification. Full details of the changes made are described in [annex G.12](#) to our plan.

Validating our plan

To ensure that the information we included in our plan was accurate, consistent and presented in a clear way, we:

- ▶ ran appropriate data quality assurance processes;
- ▶ co-ordinated technical and style reviews of our plan; and
- ▶ ran a systematic peer-review and external-challenge process.

The remainder of this section discusses these processes in turn.

Data quality assurance

Our business plan consists of both historical and forward-looking data. We put quality assurance processes in place to ensure that the historical information was accurate and that the forecasts were reasonable. The accuracy of the forecast data is important as it affects some material financial indicators, such as our cost of debt, and investment decisions based on cost-benefit analysis.

[Annex G.1](#) provides further detail on our approach and our standards.

Expert review

We asked Deloitte, our external auditor, to review our June 2013 plan and the process by which we assembled it. We asked them to check that the historical information was accurate and that the forecast information was reasonable. They told us that ‘Overall, management’s processes to generate Northern Powergrid’s plan are generally robust, and during our walkthroughs and data integrity analysis we did not identify any specific errors of significance.’

We created three expert groups to cover the technical, social and customer service aspects of our activities. Each group was independently chaired and populated by external experts. They were given access to our plan as it came together and were invited to challenge it in a series of iterative reviews. Further, we held meetings with our broader stakeholder panel to provide them with the opportunity to question our thinking. These groups and the contribution they made to our thinking are described further in section 4.2 below.

Style review

We recognise that the audience for our business plan is wide and includes, amongst other key stakeholders, our customers and employees. For this reason, it was important to us that the plan be clear, concise and easy to understand.

To achieve this, we commissioned the Plain English Campaign to review the online version of our draft business plan – *Your powergrid*. We used the feedback to develop the online and hard-copy presentations of our April 2013 business plan update and the June 2013 version of the plan. Further, we sought to achieve consistency from the various contributors to the plan through the production and use of a style guide.

Overall challenge

The final independent party to examine, challenge and guide our planning process was Frontier Economics, who are experts in energy regulation with a good understanding of the regulatory framework. Their challenge provided an important independent, external perspective on the totality of our plans and ensured that the proposition we created for our stakeholders was clear and properly justified.



4.2 Stakeholder engagement

In order to deliver a business plan that meets the different and wide-ranging needs of our customers and other stakeholders we knew it was essential to hear from as broad a range of them as possible. To that end, we consulted openly on our emerging plan, encouraging both groups and individuals to provide input to all or any part of it that interested them.

We invited more than 85,000 stakeholders to give their input and received feedback from more than 4,800 people or organisations. Recognising that we would not be able to engage all of our four million customers, we have worked hard to ensure that the views we received have been representative.

Our stakeholder engagement efforts have built on previous experience, but we have broadened and deepened our communication to facilitate a much greater range of conversations than before. Although our plan has been informed by stakeholder dialogue over the past three years, we naturally stepped up our efforts during 2012. We began with some traditional forms of engagement, such as presenting to large groups at set-piece meetings, but we found these far less useful than the various more targeted approaches that we developed subsequently. Increasingly, we have used web-based communications and have also tapped into selected partners' own communication channels (such as National Farmers Union (NFU) members' meetings) to help us reach further.

At the other end of the spectrum, small face-to-face meetings with a few key stakeholders, together with some very high-quality input from the three

expert panels we created, have brought about specific changes to our plan.

Our engagement has been completed through four core phases of activity:

Phase 1 (February 2012 – November 2012)

We conducted an initial consultation with a broad range of stakeholders and an open agenda. This sought early views on our service delivery and helped us to identify areas for further exploration and discussion that our stakeholders would like.

Phase 2 (November 2012 – May 2013)

In November 2012, we published our *Your powergrid* document, incorporating feedback from phase 1. This set out our emerging thinking on what we should be delivering in the 2015-23 period. We used this as the basis for more targeted engagement and detailed discussions on specific issues with our stakeholders. We also developed innovative service proposals in new areas of the plan, for example social obligations, with the assistance of industry experts.

This publication was particularly well received – the web version of the document was downloaded by more than 5,000

people. Its early indication of the costs and outputs that we envisaged at that time and its detailed, specific and costed proposals yielded a great deal of helpful feedback. That document, we believe, provided the first view of a complete set of 2015-23 cost projections by an electricity distribution company during the engagement process for this price control review.

Phase 3 (May 2013 – June 2013)

A web-led update to *Your powergrid* presented the latest developments in a user-friendly way that allowed for different types of interaction, to reflect the varying levels of expertise and interest of particular stakeholders.

We also produced a print version and followed up with tailored engagement activities to support those stakeholders who still prefer to engage with us through print or by talking to us direct.

Following the update we consulted with a broad group of stakeholders to take feedback on our final proposals and assess overall support for our plan. We employed SGS, an external auditor that specialises in business process certification, to validate our stakeholder engagement process (covering both our engagement activity for this business plan and our enduring stakeholder engagement processes and overall strategy) against the AA1000 Stakeholder Engagement Standard and Ofgem's criteria. In April 2013 it was confirmed that we meet the AA1000 Standard: this gives us extra, independent validation of our approach. The assurance statement and more detailed management report produced by SGS can be found in [annex G.4](#).

Separately, we engaged Explain, an independent market research organisation, to check that we conducted our engagement activity in a way that best suits our stakeholders and ensures robust feedback from a representative sample.⁶ Explain also conducted several pieces of independent stakeholder research on our behalf.



⁶ The Explain report on our methodology for stakeholder engagement activity can be found in [annex G.3](#).

Phase 4 (July 2013 – March 2014)

Following submission of our plan Ofgem sought views on all companies' plans from a wide group of stakeholders. In parallel, we continued to discuss our plan through routine engagement with our own stakeholders. In November 2013 we received feedback from Ofgem on the plan that we submitted in June 2013.

To assist us in producing a revised plan we conducted further stakeholder engagement. Specifically, we met with our stakeholder panel in January 2014 and engaged in dialogue with our three expert panels in February 2014. We also gathered information through our open communications and routine engagement with our wider stakeholders. This engagement largely confirmed our view

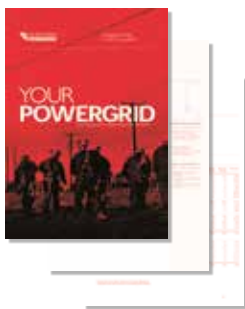
that we should make relatively few changes to the business plan that we submitted in June 2013. Our market research company assessed the detailed changes in our plan against the previous research to confirm that the stakeholder support for our proposals received to date was still valid. They were able to confirm that, as the key proposals and outputs we consulted on have not changed we can be reassured that the 81% average support for our plans remains valid. Consequently, our plan is not significantly changed from our prior plan.⁷

The following diagram summarises the successive stages of our stakeholder engagement activity for this price control review.



Your powergrid

Released: November 2012
Downloads: >5,000



Powering the region

Released: April 2013
Page views: >47,000



Initial business plan

Released: July 2013
Page views: >51,000



Figure 6: Timeline of stakeholder engagement



⁷ Annex G.12 specifies all changes.



Our stakeholders

The people and organisations that are interested in our business plan include:

- ▶ our customers;
- ▶ community groups;
- ▶ voluntary organisations;
- ▶ local and central government;
- ▶ environmental agencies and groups;
- ▶ energy suppliers;
- ▶ local and national businesses;
- ▶ our employees;
- ▶ our investors; and
- ▶ our regulator.

Because we recognise that people have different levels of awareness and understanding of our business and how it may affect them, as well as varying capacity to provide input, we have run a proactive engagement process specifically designed to address these differences. With this in mind, we also categorised our stakeholders into groups according to:

- ▶ the level of impact our plans and decisions might have on them (directly or indirectly); and
- ▶ the extent to which their inputs would be critical to achieving a balanced plan.

This categorisation allowed us to design our engagement activity appropriately for different stakeholders and to achieve a set of balanced inputs.

A comprehensive schedule showing the stakeholders we engaged with and how we categorised them for these purposes can be found in [annex G.2](#).

Our engagement

In order to engage effectively with these different stakeholder groups we developed a wide range of channels and methods. A full list of the activities that we undertook is included in [annex G.5](#) whilst the key methods we used are set out below:

- ▶ innovative use of the internet to communicate our April 2013 plan update and seek feedback via a purpose built business plan website **yourpowergridplan.com**, our online community and social networks;
- ▶ web publication and hard-copy mailing of our November 2012 detailed draft business plan *Your powergrid*;
- ▶ a monthly electronic bulletin to our stakeholders outlining our proposals, opportunities to engage and what we changed as a result of stakeholder feedback;
- ▶ three expert stakeholder groups to provide independent guidance and challenge our asset and low-carbon investment, the development of new social outputs and our plans for improving customer service;
- ▶ bilateral engagement with expert organisations, many of whom could communicate our message to harder-to-reach individual stakeholders – for example National Energy Action, helping us to reach vulnerable and fuel poor customers;
- ▶ focus groups and workshops throughout the region;
- ▶ telephone surveys and doorstep interviews;
- ▶ quantitative and qualitative research; and
- ▶ a stakeholder panel to review and advise on the overall business plan outputs.

Some of these methods were suitable for very specific groups of stakeholders, whilst others suited a wider range of stakeholder types. Clearly the business plan of an electricity company would not be a priority for many stakeholders, so we needed to find other ways to discover their concerns and priorities. This meant targeting groups that represent the interests of particular customers or vulnerable sections of society, such as older people or the fuel poor, to help us to understand better their real needs.

Communication that is open to all our stakeholders

The benefit of combining newer communication channels with more traditional ones to reach the widest possible stakeholder audience – over 85,000 – is clearly demonstrated:

- ▶ *Your powergrid* downloaded more than 5,000 times and more than 11,000 viewings of our stakeholder web-page;
- ▶ more than 3,400 visits to our *Powering the region* consultation on the business plan website from April 2013 to June 2013;
- ▶ more than 8,600 visits to our business plan website from July 2013;
- ▶ 7,800 stakeholders receive our monthly e-bulletin;
- ▶ more than 1,425 members of our online community; and
- ▶ we reach more than 3,700 people via Twitter and Facebook.

For those who prefer traditional communication methods, we provide a named individual, a postal address and a telephone number so that people can contribute to our thinking by these means. More than 1,500 copies of *Your powergrid* were mailed to stakeholders or shared at events and meetings.

To reach people who may be interested in our plan but have limited awareness of our organisation, we have worked in partnership with several membership and representative organisations, for example Northeast Chamber of Commerce (NECC), NFU, Voluntary Organisations' Network North East (VONNE) and Involve Yorkshire & Humber. Through their communications channels we have been able to reach a much wider audience, raise awareness and encourage input to our plan. We have also targeted local media to raise awareness of our plan and the opportunities to comment on it.

Direct engagement with specific stakeholders

In addition to using methods of communication that are open to all our stakeholders, we have also engaged with specific stakeholders more directly. We identified named individuals at organisations categorised as stakeholders with whom we need a close relationship (for example, energy suppliers), to ensure their voice was heard and could influence our plan. We assigned management contacts from our business to engage personally with each of those individuals.

We sent personalised letters from these contacts with a hard copy of *Your powergrid* and an invitation to a face-to-face meeting. Between October 2012 and March 2014, we met with more than 50 organisations, which included bilateral meetings with energy suppliers, local authorities, government bodies and major connections customers.

Through partnerships with member organisations, we have participated in a number of established events and meetings to receive feedback from different groups including:

- ▶ regional NFU membership meetings;
- ▶ the small energy suppliers’ forum (we believe we are the only electricity distribution company to engage with this group); and
- ▶ the forum for Local Government Yorkshire and Humber chief executives.

Expert groups and our stakeholder panel

For some key areas of our plan, engaging with people who have expert knowledge to comment on our plan helped us generate ideas and sense-check our proposals. We set up three panels of independent experts to help us in this way, with each of their meetings attended by one of our executive directors. These expert panels are set out in figure 7.

We have also established an overarching stakeholder panel, which brings together a mix of our key stakeholders on a regular basis, giving us the opportunity to discuss and debate different views, opinions and needs in one place in a forum that takes a holistic view of our entire plan across all

output areas. The meetings of this panel are attended by our chief executive and other executive directors (See [annex G.6](#)).

Independent engagement and research

As well as Explain we appointed National Energy Action (experts in fuel poverty) to employ appropriate engagement techniques to make sure we gathered the views of key stakeholders who might otherwise be hard to reach, or where we felt more detailed feedback was required. This included focus groups, telephone interviews and doorstep research.

We have been keen to reach out to those most affected by, and sometimes least satisfied with, our services in order to ensure we properly understand their needs. Using independent facilitators in this way has enabled us to step out of the discussion and encourage more independent, transparent, open and frank feedback from people whose views we really do need to hear. The summaries of the feedback reports from this activity can be found in [annex G.9](#).

Figure 7: Our external expert panels



What we asked our stakeholders

Recognising the different levels of knowledge, interest and available time of our different stakeholders, we designed the engagement activity accordingly. We started with a set of fairly generic questions:

- ▶ What are the key areas of interest for you?
- ▶ Do you agree/disagree with the proposals we put forward for discussion?
- ▶ Is there anything you would add to our current plans?
- ▶ How would you like to engage with us moving forward?
- ▶ How have you found engaging with us? For example, the process; the ease of accessing our plans and communicating with us; and the way in which we have presented our plans.

To supplement these generic questions, we also developed open questions that were focused on specific proposals or areas of the plan. Further, when we gave presentations to stakeholders and held discussion groups, we highlighted what we perceived would be areas of key interest to them.

We worked with external experts to design a dialogue that was more appropriate for those stakeholders who cannot be expected to have an insider's knowledge of our industry.

This ranged from setting out our proposals in a concise way for domestic customers to facilitating open discussion around our proposals with focus groups on fuel poor customers.

Summary of responses and impact on our business plan

Our Stakeholder Management Group (which includes the heads of all our business departments) and our Stakeholder Steering Group (comprising our executive) have analysed the responses that we have received. We have worked hard to adapt and improve our plans in line with this feedback.

To keep our stakeholders informed on how they have influenced our plans, we have communicated directly with those people who provided feedback at events and we have also continually updated our website and e-bulletin. Where we have been unable to use a suggestion from stakeholders, we have explained why that is the case.

As well as asking for views on our plan we have also been asking how to improve the way we engage, and we have built on this feedback.

You have told us that you like to be kept up to date through our regular e-bulletin and that your preferred route for dialogue is through established and trusted channels.

We adapted our engagement strategy accordingly, relying less on workshops, where stakeholders were invited to come to us at a set time to talk through our plans, to focus on a more proactive, multi-channel and tailored approach to suit different tastes. To support this we have created regular communication channels that are available all the time and communicated regularly via our monthly e-bulletin.

Over a period of more than a year, throughout 2011 and up to November 2012 (See figure 6), we obtained feedback to inform the early proposals we put forward in *Your powergrid*. Since we published this consultation, feedback has shown that our stakeholders' priorities remain largely the same. However, the emphasis on certain areas has changed slightly and we have received more detailed feedback on what we should deliver and how. This additional information has helped us to refine our plan to 2023.





Stakeholder engagement 2015-23

We have engaged extensively with stakeholders on the content of our business plan, but we want to emphasise that this is not a one-off. We had an established relationship with some stakeholders already, whilst for others this was the first time they had provided input to the business – or they previously only had an ad hoc relationship with us.

We will continue to talk to stakeholders about our plan after we have submitted it to Ofgem and, if it is agreed, we will

carry on with our communications while we deliver our plan. More information on our ongoing stakeholder engagement programme is included in [annex G.7](#).

Some of the proposals stakeholders specifically asked for in the plan are in fact strengthened engagement and relationships moving forward. Within the plan, we commit to closer partnership working and sharing information with a range of stakeholders including energy suppliers, community and voluntary sector organisations and

local authorities. We also commit to annual meetings and a single point of contact (key account management) for local authorities, to support more strategic working alongside current day-to-day relationships.

The quality of stakeholder input has taught us a great deal and, as an organisation, we have come a long way as a result of the business planning process. We want to continue this conversation through to 2023 and beyond, so expect to hear from us again soon.

5 Summary of stakeholder feedback

We provide more details of who replied and what they told us in [annex G.5](#), which sets out the results of our engagement work. However, it is useful to provide a summary here of the key messages that came through loudly and clearly. They are presented throughout our plan in the relevant section that they informed, but we assemble them here in overview.

Stakeholders' views are by no means uniform. However, there were few occasions when we found strong views from one set of stakeholders that opposed the strong views expressed by another group. We have not often had to choose between conflicting aims and this degree of consensus has made the preparation of this plan easier.

Stakeholders want the following from us:

- ▶ **Keep costs down:** This message was the most powerful and consistent across the board and understandably reflects the issues that stakeholders themselves face in the current economic climate. In general, stakeholders think we should try to maintain or incrementally improve our performance rather than seek costly step change improvements, and in doing so should keep costs as low as possible.
- ▶ **Run a safe operation:** Safety is the priority for our employees, trade union representatives, contractors and suppliers who work closely with us, along with national government bodies such as the Health and Safety Executive (HSE). Domestic customers recognised safety as important, yet not one of their main priorities.
- ▶ **Improve flood defences:** Investing more in defending our assets against flash flooding is a key concern for domestic customers.
- ▶ **Reduce the number and duration of power cuts:** Targeting asset replacement towards customers who receive a relatively poor service to reduce the number of power cuts they experience has also been a clear message across stakeholder groups.
- ▶ **Improve the level of customer satisfaction:** Our customer service expert panel, domestic customers and, specifically, customers who have complained to us in the past all support our commitments to:
 - offer a range of communication channels;
 - use technology to improve service; and
 - consider different customers' needs.
- ▶ **Enable the transition to low-carbon technologies:** We received moderate support from domestic customers and full support from our employees, backed by a suggestion for more education and training on what this means for us and our customers. Local authorities are keen to take forward discussions on the opportunities that collaborative working may present, e.g. the impact on street lighting, community energy-storage solutions, etc.
- ▶ **Improve the deal for connections customers:** Reducing timescales, making services easier to use and providing easy access to information remain the priorities for connections customers.
- ▶ **Delivering a wider set of priorities:** For energy suppliers, the emphasis remains on transparent and predictable network-usage charges and early sight of the charges for 2015 and 2016.
- ▶ **Co-ordination and support:** Local authorities are looking for more co-ordination, joint working and sharing of information. Support for vulnerable customers and wider social issues remains a concern, with a strong emphasis on strategic partnership working to find and deliver solutions.
- ▶ **Invest in the workforce:** Creating opportunities for trainees and apprentices has received support throughout our consultation. This links to views on our wider social obligations and a belief that we should do more to attract and support people into work in our region by working closely with universities, schools and colleges.

We are pleased to say that, for the most part, we have been able to take on board and respond positively to stakeholder feedback. There are some areas where competing stakeholder views or the feasibility of the suggestions have meant that this has not been possible, for instance where we were asked to target investment towards installing three-phase electricity supplies in farms, or offer free connections for social landlords. In these types of situation, it would be inappropriate for us to decide that one group of customers should be supported by all others.

6 Stakeholder support for our plan

What you said about our engagement and our plan

We are delighted by the amount of support that we have received from stakeholders, both for the way we went about ensuring we had a proper engagement with you and for the content of the plan that we have now finalised.

We engaged with a wide variety of stakeholders throughout the process, from our expert panels, energy suppliers, local authorities, and special interest groups, all the way through to domestic and business customers.

On the next five pages we give you, our stakeholders, the final word on what you think of our process and our plan.

Strong support from customers

During May 2013, we asked 1,264 stakeholders whether they thought the proposals in our plan were the right ones. The table below shows that there was overwhelming support from customers for our proposals, averaging more than 80% in favour and less than 4% against our proposed outputs considered in eight broad categories.

We were encouraged, but not surprised, by this result, since we had developed our proposals from the input we had already received from our customers.



Table 4: Stakeholder endorsement of our proposals

Output area	Do you agree with our proposals?		
	Yes	Don't know	No
Safety	85%	13%	2%
Cost of power supply	69%	28%	3%
Reliability of power supply	79%	18%	3%
Customer satisfaction	82%	14%	4%
Environment	81%	14%	5%
Social obligations	82%	14%	4%
Future networks	81%	15%	4%
Connections	86%	10%	4%
Overall approval rating	81%		

Positive support from our expert panels

Lynne Mills chairs our customer service expert panel



I think that the quality of the consultation that you have undertaken, including its duration, has been strong.

Using a variety of engagement methods from internet-based communications and exchanges, focus groups, to on-street interviews across a broad demographic of customers has

produced a rich vein of feedback to provide actions for inclusion in your plan. I have seen clear examples of where you have listened and made the relevant changes.

I have also welcomed the opportunity to contribute and guide the outputs of your plan for customer service as chair of your expert panel. It is pleasing to see that the changes we asked for have been incorporated into your plan.

This approach has been refreshing and establishing a process to challenge your traditional approach and encourage new and innovative ways to serve your customers is the right decision and I am happy to endorse the plan. I look forward to working with you in the future as you seek to implement all that you have set out.

Lynne Mills,
Director of Client Services,
Institute of Customer Service

Derek Lickorish and Jenny Saunders serve on our expert panel advising on social and poverty issues



I was, ... delighted when Northern Powergrid took a very brave decision to invite myself and others to form an expert panel to help them explore and challenge what help they might be able to provide to vulnerable consumers in this context.

All panel members had a keen interest and experience of these matters. The commitment from Northern Powergrid to the process has been unwavering, and now as further evidenced by declaring their social obligations proposals in their Business Plans

2015-23, which will soon be submitted to the Regulator Ofgem.

There is no doubt Northern Powergrid is determined to go that extra mile, for example, by having more specialist customer service vehicles available during system emergencies and for those with special needs, having their individual telephone numbers programmed into their telephony systems to facilitate a direct connection and a bypass from automated answering, to a specialist customer service adviser.

Other creative proposals include assistance to help communities become more energy

efficient by being a catalyst for change with local partnerships to the more technically complex demand reduction and how that can be turned into a benefit for the community and that money shared with consumers.

I do hope people will read the business plans and that Northern Powergrid rightly get the recognition and credit to which they deserve for their ambition, process, openness and creative approach.

Derek Lickorish MBE,
Chair, Fuel Poverty Advisory Group



Northern Powergrid has come forward with some very innovative ideas. I fully endorse the business plan. I think that over the coming years, as it is implemented, we will see some

positive outcomes as well as some tangible deliverables that will be meaningful for people who are more vulnerable and for energy customers who will be struggling to keep warm every winter...

Within the plan I think that one of the things that is most creative is the push to try and get something happening at

a community scale to reduce demand and to do that within areas of social deprivation. That's something that I think Northern Powergrid will need to work with a number of stakeholders to deliver but it's committed now to make that happen, which is excellent news.

Jenny Saunders OBE,
Chief Executive, National Energy Action

Our expert technical panel is chaired by Professor Phil Taylor



It has been useful to have had the opportunity to engage with Northern Powergrid on the technical aspects of its business plan. In particular the panel has looked closely at

Northern Powergrid's innovation strategy and smartgrid development plans. I have been pleased to see the appetite for new approaches to running and managing the network. In particular, the commitment

to incorporate solutions such as real-time thermal ratings and more sophisticated voltage control is a concrete sign of a more progressive approach. Also, the explicit recognition that these changes will have implications for the organisation in terms of the skills it needs and the way it will need to operate is very encouraging.

Our challenges and suggestions have been listened to and have made a genuine difference to the plan that Northern Powergrid is proposing. The longer-term

plans for smartgrid enabling investment are a sensible approach to making sure that the network will be able to cope with a sharp increase in low-carbon technologies and the potential that this can open up in relation to the creative use of smart meter data is a particularly exciting part of the plans that the Northern Powergrid team has put together.

Professor Phil Taylor,
Director, Newcastle Institute for Research on Sustainability

Local authorities are also supportive

We have extended the reach of our stakeholder engagement to cover the local authorities that serve the same areas as we do. We give below the views of representatives from the three largest city councils in our region.



I think the plan is good – and better as a result of consultation. The two things that I really like about the plan are firstly the account management approach because people say the whole of politics is local and your activity has really impacted on local people.

The second issue which I'm really pleased about is visibility of your forward investment programme because another thing that all councils in the North

are really focused on is economic growth. The visibility of your investment plans going forward will help us dovetail the economic growth we are trying to achieve with your plan.

John Mothersole,
Chief Executive, Sheffield City Council
and Chair of Local Government Yorkshire
and Humber Chief Executives' Group



I think Northern Powergrid's business plan will make a difference particularly in terms of major events that happen for us...

I think the key account management that's proposed and the local relationship that's going to be put in place

and the longer term look at infrastructure will make quite a difference to the city of Leeds and we're looking forward to working with Northern Powergrid on that.

Tom Riordan,
Chief Executive, Leeds City Council



Over the course of the last 12 months Northern Powergrid has engaged with Newcastle Upon Tyne City Council on a number of occasions at a senior level.

I am pleased that they have stepped up their engagement and it is clear from our discussions that this is set to continue. From their plan and our discussions we can see that there are opportunities to apply

our collective expertise to examine future energy solutions for Newcastle Upon Tyne with a particular focus on sustainability, energy efficient solutions and affordability.

Harvey Emms,
Director of Housing, Planning and Transport,
Newcastle City Council

Our employees are ready to deliver

Over and above our normal internal communication activities, we conducted an extensive engagement programme with our employees. It included independently facilitated focus groups and dialogue with the unions that represent a large proportion of our employees.

Understandably, our employees were keen to hear about the plans we have to ensure we have the right systems and resources available to keep people's workloads realistic as we seek to give our customers more for less. We were particularly encouraged to receive very positive support for our plans to increase the local focus in our operating regions.

The four major unions that represent many of our employees, Unite, Prospect, GMB and Unison, all engaged constructively with us. Their representatives asked the full-time officer for Prospect to take the lead in responding to the company.

We were pleased to receive a letter of support from Prospect, which said...

'We believe that our working relationship is very productive: whilst we disagree on details, we can point to achievements such as the ground-breaking five-year pay settlement as proof of our joint commitment to develop the business...

Thus we welcomed the opportunity to comment upon and influence your business plan as it sets the context for our members' work up to 2023. We believe that the dialogue has been open and constructive as our passion to improve the service to

customers is tempered by the need for adequate resources and for clear focus on how we meet the real demands of other stakeholders.

In these circumstances, we believe that the business plan is sound and meets the reasonable expectations of other stakeholders. We hope that it can be implemented quickly: it forms a firm foundation for the hard work needed to maintain and improve customer service.'

Michael Macdonald,
Negotiations Officer, Prospect

Our connections customers had this to say...

Some customers depend upon our connections services to enable them to meet the needs of their own customers. Here are the views of some of these stakeholders who have a business need that we must satisfy.



We are very encouraged that our opinion is being valued by Northern Powergrid and what we are encouraged about is what we've asked for – the things that you're looking at, web-based technology, better IT systems and all of those things – help

Northern Powergrid deliver a good service to us. We do enjoy working with you and collaborating with you in those areas. So, very positive and we enjoy the process.

David Overman,
Director, GTC



The big positive bit is that you're coming out to the customers, you're coming out to the [independent connections providers] and you're asking what their expectations are and then adapting your processes to get to where we are comfortable. And it all works.

Chris Roe,
Operations Support Manager E.ON
Highways Lighting



I think Northern Powergrid are having a fair crack at making RIIO work for the customer, which in turn will make it work for them so it is potentially a win-win situation, and a lose situation if Northern Powergrid don't get it right.

Robert Weaver,
Director PowerCon (UK) Ltd



It is change in the way you are doing business and that's what this is all about. If you don't change the way you do business you'll be dead, there's no two ways about that but you have changed and from our experience I don't see this as a one off.... Northern Powergrid are part of our team,

integrated, no different to our architects, engineers and everybody else – working together. Yes, there are things and bridges to cross but we're getting through them together. Before we weren't.

Geoff Hunton,
Director, Merchant Place Developments

Endorsement from energy suppliers

The energy suppliers that use our network to get electricity to their customers are the stakeholders who pay us directly for the service that we provide.



Energy supply companies are relatively few in number and very familiar with our business.

We invited all the suppliers to engage with us in whatever way they would prefer. Three of the larger suppliers were keen to discuss our plans in detail and our senior executives engaged in a series of meetings with each of them. We also made presentations to wider supplier forum meetings at which many of the other companies were present.

Our close dialogue with the three most engaged suppliers has been especially fruitful and one of the largest suppliers confirmed that it fully endorsed our plan and commended it to Ofgem for fast-track approval.

Two other large suppliers have acknowledged our efforts to engage with them and we hope that they will fully endorse our plan when they see it in its complete form. Together, these three suppliers account for nearly two thirds of the customers that are connected to our network. We are grateful to them for the help they have given us in preparing this plan and for their recognition that we have done our best to engage with them.

The largest supplier of customers connected to our network had this to say...

‘We now feel that we have a deep and broad view of network development, and would like to commend Northern Powergrid in particular for the time that you have given us in general fora and more particularly in the extensive bilateral contact that we have had.

The development of this dialogue over the past 4 months has been of great help to us in understanding what is a significant element of our customer costs and has satisfied us that you have taken steps to ensure that customer bills will be impacted in the smallest manner by developments within the RIIO-ED1 period...

We believe that Fast Track is beneficial to consumers for those DNOs (and only those DNOs) who have done the stakeholder groundwork and associated business planning. NPg appears to us to be foremost both for your attention to detail in your business planning process but also in your acknowledgement that the long term impact on the end consumer is of paramount consideration throughout the RIIO-ED1 design and implementation period.’

Chris Harris,
Regulation Director, npower

Next steps for stakeholders

We have now reached the point in the process where we have finalised our revised plan and sent it to our regulator.

Ofgem will certainly welcome comments from stakeholders on our revised plan and we would encourage any stakeholders to take this further opportunity to participate in the process.

We would also like to hear from you if you have any comments on what you have read in this version of our plan or about how we might improve the process that we went through to prepare it.

If you would like to make any further comments to us please contact us.

By email

yourpowergrid@northernpowergrid.com

or by telephone

Sharon Roper, Stakeholder Manager,
on 01977 605620.





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