Annex 3.1

ENHANCED ENGAGEMENT PROCESS

Building our plan

Summary

Our future plan is rooted in the needs and ambitions of the communities we serve. In building our plans, we gathered feedback from over 52,000 interactions with customers and stakeholders through more than 329 events, surveys, summits, panels, co-creation workshops and bilateral meetings.

Our engagement programme was structured around four ‘waves’ and the results from these have been combined with our expertise, experience, business aims and broader insights to inform, shape and refine our plan propositions. By working this way, we have ensured that our plan commitments track back to clearly defined stakeholder insights and needs.

All of the insights, feedback and research gathered during the development and refinement of the plan have been synthesised into a series of overarching engagement summaries (see our detailed engagement findings annex). Similarly, full details of all the engagement activities and insights gathered throughout the engagement waves for each business plan area are also included in the detailed engagement findings annex.

In putting consumers at the heart of our plan, the programme was formed from best practice learning from an extensive review of good practice from within and beyond the utilities industry (see appendix 1 within this annex for further information). Additionally, throughout the engagement programme, reviews of satisfaction, assessments of stakeholder representation and evaluations of engagement effectiveness were undertaken to continuously improve our approach alongside proactively responding to insights and suggestions from the customer engagement group (CEG).

Engagement approach

Through our stakeholder charter we have an established set of principles (Figure 1) to hold us true to our engagement approach. Providing the foundation for everything we do in planning and executing good engagement:

Figure 1: Our stakeholder engagement principles

Engagement programme

The business plan engagement programme was framed into four broad waves of engagement activity:

Wave 1 – open and formative engagement (2019-July 2020)

Co-creating our plan with our stakeholders started with engaging early, holding deliberative sessions and open dialogue to shape our initial thinking. Through this period, we were scoping potential propositions from questions and in-depth discussions with 4,762 consumers and stakeholders. A range of engagements including deliberative round tables, focus groups, panels, conferences and research helped to draw out the priorities and views of what our future plan needed to consider. Engagement was tailored to the audience and their needs as well as the topic being discussed, with an emphasis on speaking to the hard to reach and seldom heard.

Wave 2 – testing our emerging thinking with costed levels of ambition (August 2020-January 2021)

Publication of our emerging thinking documents and dedicated microsite provided the platform for extensive consultation around the shape, scale and level of ambition of potential developing commitments and initiatives as they began to take shape. Engaging with 15,475 customers and stakeholders to test propositions including levels of optionality and to consider if this addresses their priorities or were the areas of focus missing from the developing plan. These were then tested for their relative importance against other priorities and overall ‘willingness to pay’ (WTP).

Wave 3 – refining and finalising our plan (January 2021-July 2021)

Further deliberative engagement, polls, surveys and dedicated research exercises have helped us to retest our thinking as our plans formed, including setting stretching targets. We also retested emerging propositions and priorities wherever signals were inconclusive or new areas had emerged. This wave also included research with customers, vulnerable customers and small and medium sized enterprises (SMEs) to gather their views on the draft plan in terms of WTP and overall satisfaction including acceptance testing. Overall, 32,500 consumers and stakeholders were engaged.

Wave 4 – plan finalisation stage (July-December 2021)

This stage will include responding to feedback from our regulator's (Ofgem) consumer challenge group (CCG) and the open hearings, testing plan ambition and any subsequent changes with our stakeholders' and consumers' priorities including levels of ambition. Additionally, as our plan and plan costs are finalised a further round of acceptance testing will be conducted.

Waves 1 - 4: Comprehensive and extensive programme of engagement

Across the waves of engagement activity to date; we engaged through multiple channels, tailored to the needs of specific stakeholder groups. Table 1 below, provides details of this activity.

Wave	Activities
Wave 1 (2019-July 2020) 4,762 engaged	Examples include: — stakeholder benchmarking survey of 1,293 — Institute of Customer Service conferences and industry best practice forums — 16 consumer panels – eight north and eight south — two future consumer panels (university age 18-21) — two stakeholder panels — consumer vulnerability conference — 64 in-depth customer interviews — 11 power cut customer journey focus groups — distributed generator owner operator forum — electric vehicle (EV) workshop — 19 local government forums and meetings stakeholder summit — topic specific events: ▪ local enterprise partnership (LEP) workshops – 'Leading in a Climate Emergency' ▪ Department for Business, Energy & Industrial Strategy regional hub ▪ community energy online research ▪ electricity system operator (ESO) Flexibility Forum ▪ health and safety management conference — future energy (skills and workforce) roundtable

Wave	Activities
	— how to drive behaviour changes in periodic safety review (PSR) research — net zero community energy webinar — local area energy planning workshop — addressing fuel poverty research — 14 local authority (LA), LEP and member of parliament (MP) bilaterals — four connections customer forums — two independent connections providers and independent distribution network operators webinars — two social issues expert group meetings
Wave 2 (July-December 2020) 14,031 engaged	— emerging thinking microsite and online survey with 3,478 participants — online 'have your say' survey with 9,179 participants — issue-specific roundtables – sustainability, climate change adaptation, environment, decarbonisation, community energy — optionality and willingness to pay activities: ▪ analysis of engagement insight; ▪ targeted focus groups; ▪ emerging thinking – preferred levels of service survey; ▪ testing the prioritisation quantitative online survey; ▪ choice experiment – peer review and consumer testing; ▪ prioritisation quantitative online survey; ▪ data triangulation; and ▪ application of affordability model. — 16 consumer panels – eight north and eight south — six regional conferences — four future consumer panel (university and sixth form age) — five rural panels

Wave	Activities
	— two stakeholder panels — two community energy panels — two LA forums — 37 LA, LEP and MP bilaterals — two future consumer surveys with 611 participants — online survey – how energy data could be used to solve local energy-related problems – 165 participants — Northern Powergrid colleague emerging thinking survey 2,148 participants — three social issues expert group deliberative sessions — 14 ‘What is’ energy educational series
Wave 3 (January-July 2021)	— Business plan acceptability testing (BPAT) activity: — 14 citizens panel meetings – biweekly — 12 energy champions – shaping consumer communications materials — bill cost and impact – education material and consumer research — decarbonisation of heat and transport workshop — two SME and domestic customer focus groups — two stakeholder panel meetings — online quantitative survey – 1272 participants — future fairness panel – focus on vulnerability strategy — three regional conferences — future consumer online community – with participants aged 16-21 who were surveyed on six subjects across 14 days — two LA forums — 14 LA, LEP and MP bilaterals — three social issues expert group deliberative sessions — 23 energy bilaterals

Wave	Activities
	— three community energy panels including designing future services workshop — sustainability model – quantitative research — early adopter research with community energy representatives
Wave 4 (July – December 2021)	— Engagement will commence post draft plan submission

Table 1: The four waves of engagement activity

Building education and understanding

An intense focus throughout the engagement programme was to ensure that consumers could confidently navigate the complexities of the energy industry and feel equipped to be able to give feedback and challenge our plan. We, therefore, developed tailored and targeted educational support materials that grew during the four waves of the engagement programme, including:

- Recruiting 12 energy champions, including domestic customers (urban and rural), SME customers, representatives of vulnerable groups and our colleagues. These energy champions reviewed our plans, materials, presentations, and talked with colleagues throughout the business to help us to explain our most complex topics in accessible language and imagery. This resulted in adapted approaches which were more accessible and understandable enabling our customers to understand complex topics and have informed discussions. Examples include:
    - An infographic that effectively explains our role and how this fits into the wider energy system.
    - A slide deck that explains the concepts of climate change, net zero, decarbonisation and energy futures so that customers can have an informed conversation on this sizeable topic.
    - An approach to explain the long-term impacts of investment decisions on bills.
    - Coaching for our colleagues on their presentation technique, including the use of relatable analogies and calling out jargon such as using the term ‘equipment’ instead of ‘assets’.
- A series of ‘what is?’ educational and awareness raising videos have been developed to explain some of the more complex aspects of the developing energy system such as flexibility, net zero and energy storage. They have been promoted through social media and used as part of our pre-engagement to ensure that our customers and stakeholders are giving feedback based on a good understanding of the issue. We have recorded 15,623 impressions from customers who have viewed the suite of 14 videos.
- In partnership with our future consumer panel, we developed the new power generation project and website, which aims to equip young people (10+ years) to become net zero champions. Using clear, easy to understand language and guidance on what young people can do to reduce their carbon footprint. Almost 6,000 future customers have accessed these resources and better understand actions to decarbonise.
- Enhanced educationally focussed communications - we have tailored our communications on raising awareness of the business plan and the key issues it covers to improve accessibility and to increase participation in engagement and consultation. We have:
    - Developed the engage microsite, the home of the draft business plan and the emerging thinking documents and interactive dashboard, which helped raise awareness of the plans as they developed, gathered views on emerging options as consumers were able to ‘build their plan of choice’ and

generated both qualitative and quantitative insight and feedback from across our stakeholders, consumers and communities.

- Run extensive public relations campaigns including thought leadership pieces around issues such as environment, collaboration, our role as a 'force for good in our communities', enabling decarbonisation and economic recovery and actions to address business carbon footprint in trade, regional and local press and on our own blog pages.

- We worked on a 'hook, build, amplify' approach, sharing and commenting on key regional and national energy news on our social channels, to strengthen our voice and bring to stakeholders' attention our business plan development process and opportunities for engagement. We used social media channels to promote engagement and extend our reach, for example using LinkedIn to identify key stakeholders and leading voices who can promote our work and engagement opportunities through their own networks.

Strengthening consumer voice – representation

Throughout our engagement waves, we have worked hard to build upon our existing stakeholder representation and segmentation model to ensure that all our region's communities and different customer groups have a voice or are reached and engaged through their representatives; particularly important for those that are hard to reach or vulnerable:

- We brought together new, extensive consumer and future consumer panels in 2019 and 2020. Following their establishment, due to the onset of the pandemic, we undertook early research to understand how we could continue to effectively engage with them as deliberative panels and, as a result, we moved fully online for most of our engagement. This research uncovered fewer technological barriers to participation than expected (given the switch to online deliberation in line with government guidelines), but there was a desire from stakeholders to adapt our approach and discussion topics in a way that was more impactful and time sensitive. Our changes and adaptations included:

    - Pre-engagement discussion and early information sharing to improve understanding before asking for opinions and insight. Fewer discussion items on each panel agenda, supporting more detailed discussion and reducing stakeholder fatigue.

    - Smaller breakout sessions that allow more inclusive discussion in an online environment. These also took into account levels of knowledge with participants then paired with others with the same level of knowledge or confidence in the issue.

- With the right model in place, we extended our engagement establishing additional panels for SMEs, rural customers and community energy customers. Giving different customer groups different forums ensured that they were able to discuss plan proposals with their peers and we received clearer feedback for triangulation and prioritisation purposes. The groups met regularly throughout 2020 and 2021 and discussed every aspect of our plan with emphasis, as we moved through the waves, on issues of most importance to them and where further exploration of complex issues was needed.

- Our intergenerational engagement and research brought together multiple generations in family groups across Zoom to discuss and explore views and expectations for the future in the context of decarbonisation – what the future will feel and look like, what it will mean for people and their lifestyles, what needs to happen now in advance of net zero and how and where compromises should be made. Through strengthening differing generational customer voices in our engagement it is clear that there are a number of different opinion drivers and conflicting views across different generations, geographies and a number of other factors. While we will never get a definitive answer on shared values and approach, we were keen to understand how this may change when some of these groups were brought together to discuss our emerging plan priorities.

- The CEG challenged us to consider how we could further build on our representative engagement approach by bringing together groups with differing experience to create a more dynamic and challenging debate. In wave 3 we established the citizens panel bringing together members of the SME, rural, future consumers and domestic customer panels together in a larger collective panel.

  - During eight weeks of intense deliberation, the citizens panel role was to debate, challenge and assist engagement leads to refine and take feedback on the suitability and ambition of their developing propositions. The topics and engagement approach were tailored to the needs of the business plan area. We continually improved the quality of information shared with the panel (so they understood the subject as well as they could, given the limits on their time) through development with our energy champions who challenged and provided feedback on the presentations and materials to make sure they made sense to our customers.

  - In one of the final sessions we explored the bill impact with the panel at a deliberative engagement session where we explained the context of the bill impact in detail and provided opportunities for questions and answers. We also discussed in detail the overall bill impact and whether customers felt it offered value for money based on the outputs they had discussed throughout the panel sessions. The materials had been tested twice with the energy champions to ensure it was understandable and time was set aside to check panel understanding throughout the session.

Seldom heard and hard to reach customers

Throughout our plan development we recognised that it has never been more important to ensure that nobody is left behind in the energy transition. At a time when urgent action is required to decarbonise and with the added dimension of the impact of COVID-19 on our customers and communities, we established a robust and far-reaching approach to ensure all customer groups have a voice. The CEG also took an active role in holding us to account, ensuring we were stretching our efforts far and wide across our communities. We have:

- Developed, and are using, the United Nations' (UN) approved 'nobody left behind' framework approach of 'examine, empower, enact' as the bedrock for our enhanced strategic approach for supporting our hard to reach and seldom heard customers and to ensure social inclusivity.

- Established our future fairness panel, to ensure that our strategy encompasses all current vulnerabilities in our region and to help us identify new and emerging issues. The group challenged and assured our inclusiveness approach and our consumer vulnerability strategy.

- Used our established representation and inclusivity model and weighting methodology across our research programmes to ensure we are engaging with the right types and numbers of customers and stakeholders to reflect both good practice and the socio-economic characteristics of our region. Our representation and inclusion tool provides granular insights about stakeholders and customers in our region and models who we should be engaging with to secure a fair and representative sample when any engagement or research takes place. Including both internal and external datasets, it lets us understand the make-up of our region and who is best placed to deliver the insights we need. It delivers transparency and underpins the credibility of our outcomes, throughout the business by checking that research and results are always fit for purpose.

- Conducted research into customer values alongside longitudinal research into the changing attitudes and needs of customers in response to COVID-19, ensuring our plans are set within the understanding of changing needs at an uncertain time.

Digital inclusion approach

Even though the digital exclusion gap across the country has closed significantly over the last decade, our region still has some of the highest levels of digital exclusion in the UK, with disabled customers, the elderly and those with English as a second language being most affected. This was particularly problematic during business plan development, as public health restrictions significantly increased our reliance on digital channels for engagement.

To help mitigate these challenges we reviewed existing best practice and implemented strategies to overcome barriers in digital engagement by undertaking additional, localised research to understand what further steps we could take, whilst working closely with our research partners to meet the principles of our inclusivity and representation strategy. This has included:

- telephone surveys to supplement online activity – leaving more time for explanation, consideration and communications barriers;
- translation support for our surveys into 240 languages;
- in-depth telephone interviews with under-represented groups and their representatives;
- collaborations with our third sector partners to understand the changing needs of those they support and, in some cases, asking them to engage on our behalf. For example, we ran an abridged version of the 'have your say' customer survey in quarter four of 2020 with digitally excluded and fuel-poor customers. Sixty-two customers were surveyed by Green Doctors, a partner organisation that helps vulnerable households to save money on their energy bills; and
- ongoing discussions with our future fairness panel and social issues expert group, which advise on the most effective and responsive approach to gain insight and engagement with a wide range of hard-to-reach groups they represent.

Responding to regional needs

Recognising that engagement is everyone's responsibility and that we serve our communities better when we are closer to them, during our current 2015-23 business plan period we restructured our business around six geographic regions, with a greater focus on local accountability and outreach. Our engagement programme has also sought to uncover localised need through:

- Our membership of regional leadership groupings such as the North East of England Climate Coalition and Yorkshire and Humber Climate Commission and regular engagement with experts and stakeholder leaders in a series of localised workshops and panels.
- Recognising that elected leaders within our region represent localised interests, we conducted an extensive engagement programme with councillors, MPs and elected mayors. We spoke directly with over 100 councillors representing a diverse range of communities; 15 MPs attended our dedicated briefing sessions and we have, to date, briefed 70 per cent of council leadership teams on our plans. At each stage, elected stakeholders have been given the opportunity to ask questions, express their views and challenge plans.
- As an historic industrial region of the UK, our region contains a diversity of business interests from transport, steel and glass making to shipping, logistics and manufacturing. We also have a large financial sector and a wide range of SME businesses. To ensure our plan continues to meet their diverse needs, we have engaged with sectoral groups through bilateral sessions and set up an SME panel to give a representative group of small business owners a chance to shape our plans.
- We have met with over two thirds of our regional civic leaders directly and mapped data on key investments in our region so that we can understand local future needs and ambitions.
- We held two rounds of three regional conferences to understand any differences within the overall geography of the area we serve. These sessions were attended by LAs, LEPs, industrial customers, universities and community energy representatives, helping us to understand any differences between stakeholder groups within these smaller regions.
- All of our LAs are developing plans to meet their decarbonisation targets, so sharing future scenario data and underpinning assumptions is increasingly important to create a shared regional and national view of what the

future may look like. Working with our utility partners to ensure this encompasses a whole system/cross-vector approach is critical. Following the launch of our distribution future energy scenarios (DFES) visual tool in 2019 with open source planning data, throughout the business plan development, we have engaged widely on how we can update the planning scenarios with support from stakeholders across the region. This involved an ongoing two-way flow of localised information around issues like decarbonisation, the predicted uptake of low carbon technologies and the refinement of industrial scenarios so the tool can effectively support plans and enable ambitious targets.

Stakeholder led decision making

We have robust processes, planning, governance and assurance in place to make sure that our 2023-28 business plan decisions reflect customer and stakeholder feedback and respond to their needs.

We put significant energy into gathering stakeholder insights in a structured way, so that everything we learn can be put to good use in ways that benefit our customers and stakeholders. Our robust governance model includes senior management responsibility for engagement planning and delivery, regular reporting to the board and escalation processes in place for instances where we have conflicting feedback or priorities. We also have key external expert groups to hold us to account – such as our technical panel – and the establishment of the CEG in September 2019 has only strengthened this approach. This is supported by a clear weighting methodology and triangulation process.

The CEG has been a valuable resource in terms of scrutinising our developing business plan and the engagement that supports it. Offering challenge to our planned engagement across the four waves, holding us to account against the stakeholder charter principles as well as the scope and scale of engagement. Our engagement insight and action process is described in figure 2 below.

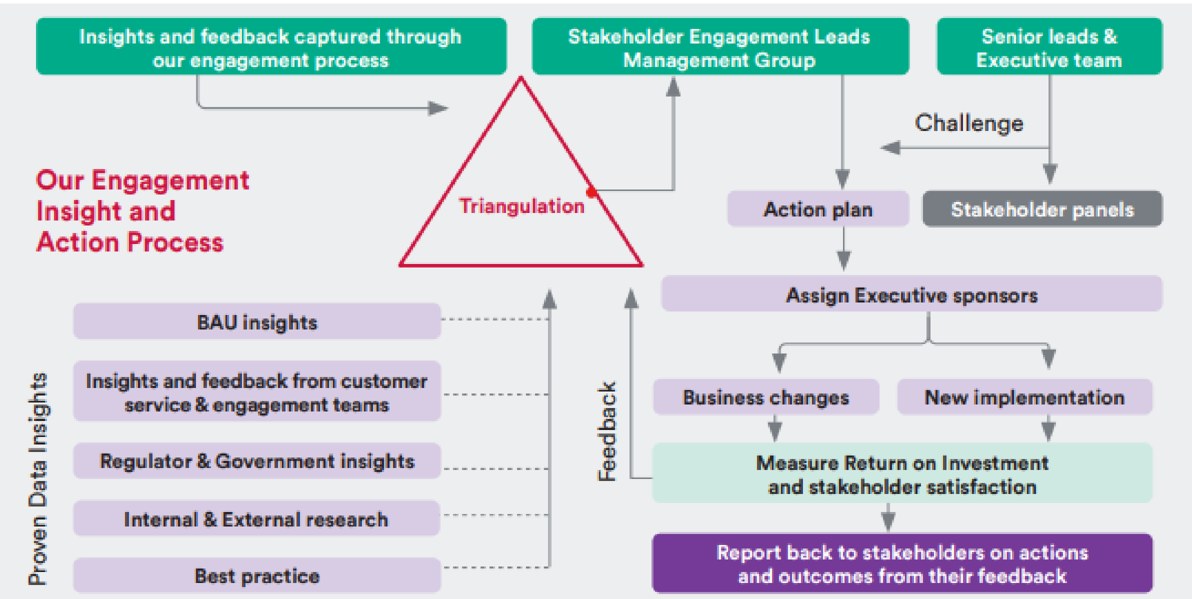

Figure 2: Our engagement insight and action process

Reflecting on best practice engagement, in conjunction with a research partner, we produced a weighting methodology (see figure 3) to assist with engagement and insight assessment. The methodology also helped us to plan engagement and is particularly useful where we have any contradictory opinions between different stakeholder groups. While any decision will always have a human factor as well as considerations like cost and benefit, alignment to business values and other feasibility factors, this approach means that we can evaluate the strength of multiple pieces of feedback with consistency and integrity.

Our Weighting Methodology score components

Component	Description	Weighting	Inputs
Sample size	A sample size 'score' is calculated based on the respondents and the type of engagement	20%	Automatic
Representation	A representation 'score' is calculated based on the number of stakeholders the participants represent	20%	Automatic
Influence	A score which measures the influence of the stakeholder in the study. This is derived from the stakeholder map	15%	Automatic
Impact	A score which measures our impact on stakeholders. This is derived from the stakeholder map	15%	Automatic
Relevance	A relevance 'score' which is input by the stakeholder as a measure of how relevant the engagement is to the overall business plan	15%	USER
Knowledge	A knowledge 'score' is input by the stakeholder and is a measure of how important stakeholder voice is to the topic being considered	15%	USER

Figure 3: Engagement and insight weighting methodology

Engagement scrutiny and assurance

As part of our ongoing assurance process we commission an annual audit that assesses our work to the stakeholder engagement standard AA1000 and ensures that we continue to build and develop our engagement processes. We commissioned additional audits through the plan development period, including observation at a CEG meeting to assess and scrutinise our work. This approach will continue as an integral part of our process throughout the future plan delivery period.The establishment of the CEG has further strengthened our governance and assurance approach. The CEG, as an independent scrutiny panel, has had a crucial role in ensuring that stakeholder and customer needs have been considered and reflected within the business plan.

Following a robust appointment process, led by Alison Marshall (one of our sufficiently independent directors) and conducted by an independent agency and ratified by our regulator, Justin McCracken was appointed chair of the CEG in July 2019. Justin then led the recruitment of the wider CEG, with the group first meeting in December 2019. We established an independent secretariat function to provide dedicated support for the CEG, manage their induction and provide intensive training to assist with navigating the energy industry for CEG members.

The CEG held both full group meetings and additional sub-group sessions each month which were aligned to the expertise of the different group members. This ensured sufficient focus and scrutiny on each plan area. All CEG members assessed the planning and execution of engagement through directly observing activities.

In support of the CEG’s scrutiny role, Northern Powergrid subject matter experts and leadership team joined the CEG to discuss emerging plans at every stage of the development process. We shared plans at the outline stage to facilitate early challenges through to full plan development. To ensure a robust process subject matter experts took the CEG through the underpinning justification, supporting data, engagement feedback and benchmarking materials and responded directly to the CEG challenges. Supporting company information was provided in an agreed format and time frames before discussion to enable the CEG to prepare for plan section reviews.

To ensure that our plan was as robust as possible from a technical perspective, we also formed an independent technical panel to scrutinise our work and hold us to account. The technical panel is chaired by Philip Taylor, who is pro vice-chancellor for research and enterprise at the University of Bristol and one of our sufficiently independent directors. Philip decided who to appoint to the panel, which comprised six members with a broad skillset ranging from expertise in electrical engineering to data and digitalisation. The technical panel met regularly with the subject matter experts in our business to understand and help us improve the propositions across our plan. The technical panel’s report also provided assurance to the CEG that our plans are technically sound, suitably ambitious, innovative, and efficient.

The CEG has reviewed, observed and raised six challenges and 120 issues in the developing business plan and the engagement that underpins the plan. We have fully resolved three of these challenges and 110 of these issues to date.

The group received extensive monthly reports on engagement approach, process, governance, plans, feedback and analysis. They were actively involved in not just assessing the engagement activity but in challenging and shaping our approach to key programme activities. Examples include:

- Observing a broad range of engagement activities across the engagement waves, including roundtables, stakeholder summits, the full range of consumer panels, citizens panels, WTP assessments and many more. They fed back their experience of 102 events, highlighting areas of good practice as well as areas for improvement.

- Receiving and assessing detailed presentations and proposals around our approach to WTP and BPAT. The CEG had concerns about how reliable customer views were within WTP, questioning whether they had fully understood the propositions and their benefits and whether the longevity of the investment decisions that were being made were understood. In response we put great effort into ensuring that our propositions were described clearly and the bill impact was understood. They were involved from the beginning and in each stage of the programme:

  - assessing the initial approach based on the best practice review;
  - reviewing engagement and communications materials;
  - observing engagement intervention and wash-up reviewing lessons learnt, providing a written assessment of the effectiveness of the engagement;
  - assessing the assurance process;
  - reviewing draft surveys and the cognitive testing of research materials; and
  - reviewing the design of the choice experiments including additional research to refine options.

- Ensuring that we meet the commitments within our stakeholder charter, with an emphasis on ensuring that our engagement is inclusive and representative for the region we serve. The CEG input was formative in the development of our future consumers panel; this was a stakeholder group that they wanted to see more engagement with as our programme unfolded, particularly given the longevity of investment decisions being made and the formative decisions being made regarding decarbonisation within the 2023-28 business plan.

- Bringing their own knowledge and experience of engagement to challenge us to meet and exceed industry best practice. They raised the 'citizens jury' model as an area of best practice, which we explored and then adopted as a citizens panel within wave three of the engagement programme.

The CEG held us to account around the scope and scale of engagement necessary to develop a considered business plan that reflects customers' needs and preferences. They have published and reported monthly updates to ensure openness and transparency; the challenge log and interim report are available online.[1]

Understanding stakeholder priorities

Underpinning our engagement waves is an understanding of consumers' priorities, willingness of customers to pay for improvements in service delivery and their overall acceptance of our plans. To ensure this exercise was robust and meaningful, we researched best practice and worked with research partners to develop a comprehensive research approach which included:

Willingness to pay (WTP) research (wave 1)

Our WTP research programme (figure 4) was designed to be thorough and representative, beginning with a phase to gather views of a wide range of broad business plan areas and then gradually refined these through each stage of the research process. Each WTP stage was designed to iteratively build upon research findings from the previous stage, with the ultimate objective being to provide a value, presented as a pound value that describes how customers prioritise specific elements of the business plan proposition. It is important to consider results from all stages holistically and within the context of other evidence.

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[1] https://ceg.northernpowergrid.com/

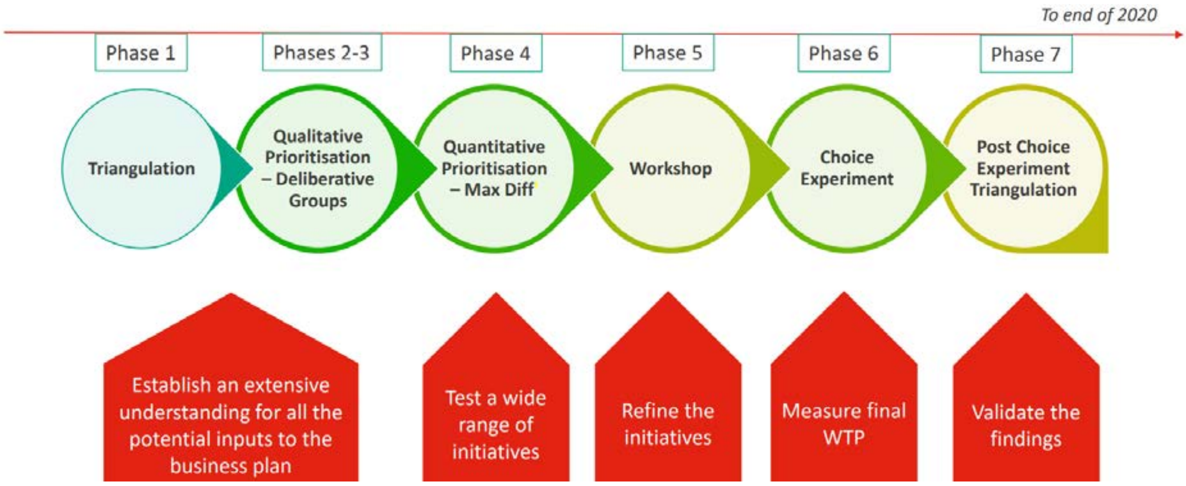

Figure 4: Phases of our willingness to pay research programme

Best practice research and triangulation of findings - to ensure that the WTP engagement was informed by the latest thinking from both outside the sector and our own strategic thinking, we commissioned our research partner, Impact[2] to conduct a literature review exercise in July 2020. The literature review meant that best practice design and analysis considerations were incorporated from past WTP engagements conducted by other distribution network operators (DNOs) and gas distribution networks, as well as other sectors such as water. In addition, past insights from stakeholder engagement were considered alongside our strategic priorities. By considering a broad range of areas, the WTP engagement was not constrained to a narrow pre-determined agenda. An initial triangulation stage ensured that the starting point of the engagement was expansive, and there was holistic thinking around what should be measured. This was subsequently refined to include customer, stakeholder and our own feedback.

Compression and refinement: focus groups – this qualitative stage of research (four focus groups each with eight customers) was conducted to establish what elements to include in the final quantitative stages of the research, the choice experiments and acceptability testing. The focus groups highlighted some initial broad priority areas. Reliability as a high-level concept was most important, followed by safety, net zero and customer service.

Refinement based on customer prioritises – MaxDiff prioritisation: a quantitative online survey was conducted to establish a smaller refined list of key investment areas to take forward to the next stage of WTP conjoint choice experiments and to quantify the importance of each investment priority associated with the business plan areas.

To ensure a representative sample that included customers who were hard to reach and SMEs telephone recruitment was used to 'top up' the sample obtained from online panels. A soft launch of the survey was conducted, in which 73 interviews (13 SME and 60 domestic), were completed. The survey then paused while the data was reviewed to check for any possible survey errors or inaccuracies. The survey was then rolled out to 549 domestic customers (of which 367 were vulnerable) and 165 SMEs.

Quotas were set to ensure that the profile of survey respondents matched the profile of our customer base on key demographics such as age, income and gender. Specific customer groups of interest were also targeted, such as fuel-poor and vulnerable customers to enable a sufficiently robust base for standalone analysis of core subgroups. The final survey data was subject to a number of quality checks, with any data not passing these checks removed from the final data set. This included 'speeders' (respondents who had completed the survey in too quick a time period to have given sufficient consideration to their response), 'straight liners' (respondents who gave the same response to every question), nonsense open-ended responses, and data inconsistencies from the same customer.

WTP headline outcomes:

[2] Impact Research Limited

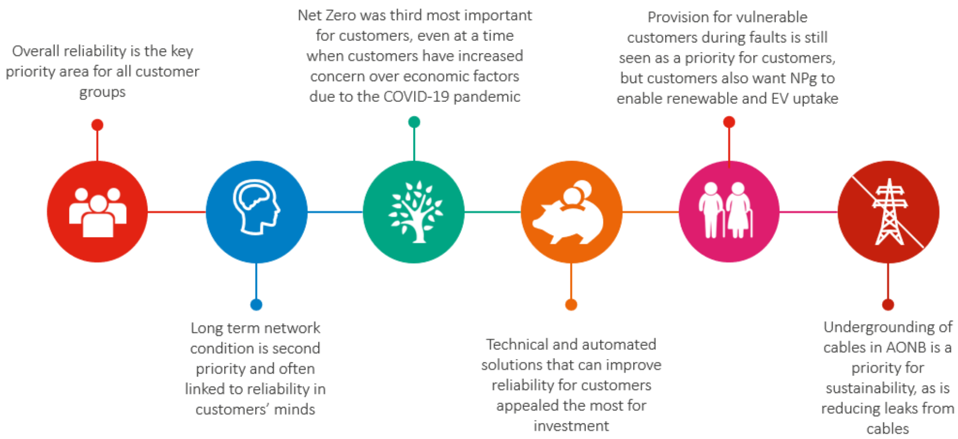

Figure 5: Willingness to pay headline outcomes

Collaborative workshop and further engagement to test approach: discussions with business leads for each of the business plan areas identified investment priorities for testing in the next stage of WTP (conjoint choice experiments). These were integrated into the design for the choice experiment, and the attributes for inclusion in the conjoint choice experiments and key questionnaire content was shared with the CEG for review. At this point it was raised that we were considering differing levels of service for the business plan areas (options A, B, C, D and E) as part of the emerging thinking development. Impact advised that it is not good practice to include more than three levels of service in WTP choice experiments. Therefore we commissioned Explain Research to conduct additional emerging thinking research to refine these options with customer insight; they surveyed 339 customers online to understand which of five possible levels of service customers preferred. The most popular service levels were taken into the WTP choice experiments.

Peer review: we wanted further assurance that the design of WTP survey was in line with best practice and before conducting the choice experiments an external peer review was conducted. The peer review also sought assurance regarding the design and application of the weighting methodology used to assess Northern Powergrid's engagement activity. The peer review was conducted by Professor Iain Fraser from the University of Kent. Professor Fraser has held academic positions in the UK at the University of Manchester, Manchester Metropolitan University and Imperial College, and has expertise in WTP research. Professor Fraser reviewed the design of the draft WTP survey to assess the robustness of the design, the proposed analysis and its quality from the customer perspective. Overall, the design was deemed to be in line with best practice; however the following recommendations were made and incorporated by Impact before conducting the WTP choice experiment:

- 12 areas (an additional business plan area had been added) and the associated attributes for each one, was seen as too many for one customer to be able to make a meaningful choice on. This was reduced to four for each customer and alternated so that, overall, all the areas were presented to customers evenly to be able to choose from.

- The status quo, or 'current scenario' was presented separately in a follow-up exercise, so that customers only ever had to evaluate two options – firstly option A and B, and secondly, the current scenario with their choice of A or B.

- A ranking exercise was incorporated into survey at end of the choice experiment, where each respondent ranked the elements within the business plan area for four of the 12 business plan areas. This was because each business plan area consisted of several elements of which it was important to understand prioritisation within.

Choice experiment: to test importance levels of each key investment (and levels within this), identify sensitivity to changes in key investments and to derive WTP values at a total and subgroup level, we conducted our choice experiment. Impact undertook 20 cognitive interviews (15 domestic customers and five SME) of the choice experiment survey to make sure participants could understand the exercise and to receive feedback. After incorporating the feedback it was then piloted with a further 44 domestic customers and 12 SMEs before full roll-out. A total of 1,517 domestic customers (of which 877 were vulnerable) and 391 SMEs completed the survey. Quotas and quality checks were implemented as per the earlier quantitative research. The WTP choice experiments provided valuations into each business plan area.

Triangulation: to ensure that customer views were understood in a holistic way, Impact triangulated a range of insights from the engagement conducted to ensure that the voice of customers and stakeholders was understood in a creditable and valid way. The weighting methodology tool provided an objective way to value findings from different sources of insight by considering the sample size, the expertise of the respondents and the extent to which they would be impacted and influenced by a change. The data triangulation has mitigated the risk of WTP being overly relied upon to inform the business plan development.

Affordability model: the objective of the affordability model is to ensure that what domestic customers value in the WTP exercise is, as a whole, in line with what customers can personally afford. Although the ‘relative value’ of the WTP pound values is the most reliable output, if the pound values are taken at face value, the requirement that most customers should be able to afford is a sensible limitation on how these values are used. This model highlights customers that would be disproportionately affected by bill increases, if the WTP values are taken at face value as a bill increase, as they would be making a larger sacrifice than other customers based on their income and the proportion that is spent on their energy bill. The affordability model has highlighted that customers in the lower socio-economic grades, those that are fuel poor and those in the Humber region, would be disproportionately affected by a bill increase. This has highlighted to us the customer groups that are in most need of support when considering the final bill impact on customers.

Wave 3 - Willingness to accept

To provide assurance that the business plan was both acceptable and supported by our customers, including vulnerable customers, SMEs and other stakeholders, we conducted research with a representative sample of our customers. This followed on from our WTP research, where our customers placed a value on our proposals of £21.46 above their current bill.

Following a review of industry practice norms regarding willingness to pay and willingness to accept, we undertook two complementary acceptance exercises:

- business plan acceptance testing survey; and
- business plan consultation

The BPAT survey was structured on a robust and comprehensive acceptance research methodology surveying 1,272 customers, of which 528 were vulnerable and 194 were fuel poor. This measured the acceptability to customers of each of the plan areas as well as their overall acceptance of the plan in its entirety. Customers (domestic) gave an 89 per cent acceptable score for the draft business plan.

The business plan consultation approach was a simpler willingness to accept exercise conducted alongside the detailed BPAT process. This online survey was distributed via email to 2.3 million of our CRM customer contacts, including notification via our social media channels. This approach ensured that our customers were provided with a summary of our draft business plan and had opportunity to comment on it before submission ensuring accessibility of engagement. It also provided additional customer insight for triangulation of results. In total, 20,194 responses were received including 19,896 domestic customers. Across stakeholder groups there was also a high-level acceptance of the plan, particularly from domestic customers (83 per cent) and other stakeholders (87 per cent).

A number of common themes and issues were identified through these acceptance processes, which we will take into wave four of our engagement programme. During this final stage, we will conduct further engagement around areas where customers have flagged a lower level of acceptance, where there is variation of acceptance across customer groups, or where they have indicated that they did not understand the plan areas or what benefits initiatives will deliver. Further acceptance research will be conducted, including a test on the actual impact on annual bills for our customers for the 2023-28 period and beyond.

Business plan acceptance testing (BPAT) research

The BPAT survey was delivered via a research panel of domestic customers with additional telephone interviews conducted to ensure we had good representation, particularly of fuel poor customers. This process sought to assure each area of our business plan individually as well as the plan as a whole.

Although this approach adds complexity to the research, compared to engaging on a smaller number of higher-level ‘themes’, we wanted to ensure the direct alignment and acceptance of each area of our plan.

It was particularly important, therefore, that the survey was developed and designed with customers to ensure it was as understandable and accessible as possible. We did this in the following stages.

Stage 1 – Survey design, development and implementation

Customer focus groups were held to help shape the development of the research approach by providing qualitative insights into the business plan. The purpose of these focus groups was to provide customers and SMEs with a background understanding of the industry, Northern Powergrid and the business planning process and plan. The focus groups discussed an overview of the business plan areas and explored the provisional bill impact in the short term and the longer-term. The findings from the focus groups were used to shape the content of the online survey.

Stage 2 - Energy champion input

Recognising the complexity of the business plan, energy champions helped to refine the language of each business plan area to help make them easier to understand and helped to accentuate the key information to be covered in the survey. The energy champions reviewed the proposed text to be used in the BPAT engagement prior to cogitative testing and the development of the survey.

Stage 3 – Cognitive pilot interviews

The cognitive pilot interviews were held whilst shadowing a number of customers completing the online BPAT survey. Customers were asked questions about the accessibility of the survey and whether it was understandable.

Based on their feedback we simplified and re-shaped the content to make it more straightforward and easier to complete within the 15 minute timeframe proposed. Further 'pop-ups’ were added that explained terms and provided brief background content to support the user experience.

Stage 4 - Online survey

Following these development and refinement stages the online survey was live for four weeks and in that time 1,272 customers completed the survey. The participants covered various demographics, including 1,006 domestic customers, 528 vulnerable, 194 fuel poor, 227 SME, and 39 other stakeholders.

BPAT results

Respondents were given a high level view of the whole plan and a detailed review of four plan areas and acceptance was then measured. Our plan was deemed acceptable by:

- 89 per cent of domestic customers;
- 87 per cent of SME; and
- 92 per cent of other stakeholders

The overall acceptance level for the plan is good (figure 6) and is in line with the acceptance levels of our 2015-23 business plans.

Figure 6: Final plan acceptability results

Plan area acceptance results

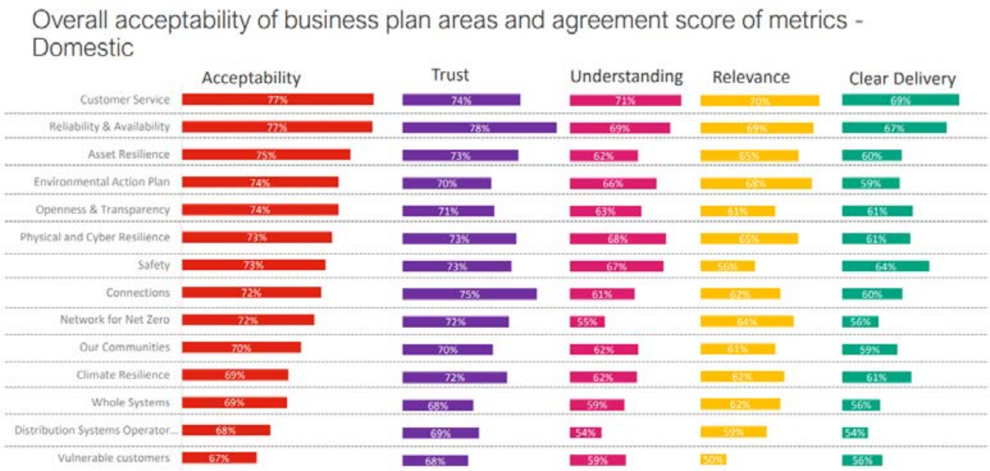

Figure 7: Business plan area acceptability scores – domestic customers

The highest scoring business plan areas included reliability and availability where trust (81 per cent), relevance (79 per cent) and acceptance of the plan (77 per cent) reinforce the significance of this area for our customers. Similarly safety ranked highly with 78 per cent for understanding and 80 per cent for clear plan delivery.

Areas with less optimistic rankings included support for vulnerable customers where a number of customers commented on whether it was relevant to them (53 per cent), despite over half of the participants being in one or more of our vulnerable categories and beneficiaries of the enhanced services proposed. Customers require further information to better understand the service offering and its applicability to all customer groups. These findings will form the basis of research and will be further explored in detail in wave four.

The proposals to support the future network such as distribution system operation (understanding 54 per cent, relevance 59 per cent) and whole systems (relevance 62 per cent, clear delivery 54 per cent) acknowledged that this is viewed as an area of limited relevance and interest, for certain groups of customers, when compared to areas that directly impact them.

Business plan consultation

The business plan consultation was a survey distributed to 2.3 million of our customers via our CRM system and promoted on all social media channels.

Survey approach

At the start of the survey we provided respondents with information on the industry, our role and illustrative charges to ensure that they had the appropriate context to aid them in completing the survey. Following this, we set out a summary of our plan including our overall vision, a high level view of the plan commitments, cost impact and the proposed bill.

The survey highlighted that from 2023 onwards, the potential impact of the costs of our business plan proposals on an average annual household electricity bill will be about £7. We made it clear that this is likely to be offset by other factors, such as lower financing costs in the period, which would result in a lower overall bill impact.

In total we received 20,194 responses, this included 19,896 domestic customers, 127 business decision makers, 139 connections customers and 32 other stakeholders. This CRM outreach method is not demographically representative unlike the BPAT research.

Survey acceptability

The survey (figure 8 and figure 9) found that the plan was broadly acceptable across the different stakeholder groups, particularly from domestic customers (83 per cent) and other stakeholders (87 per cent).

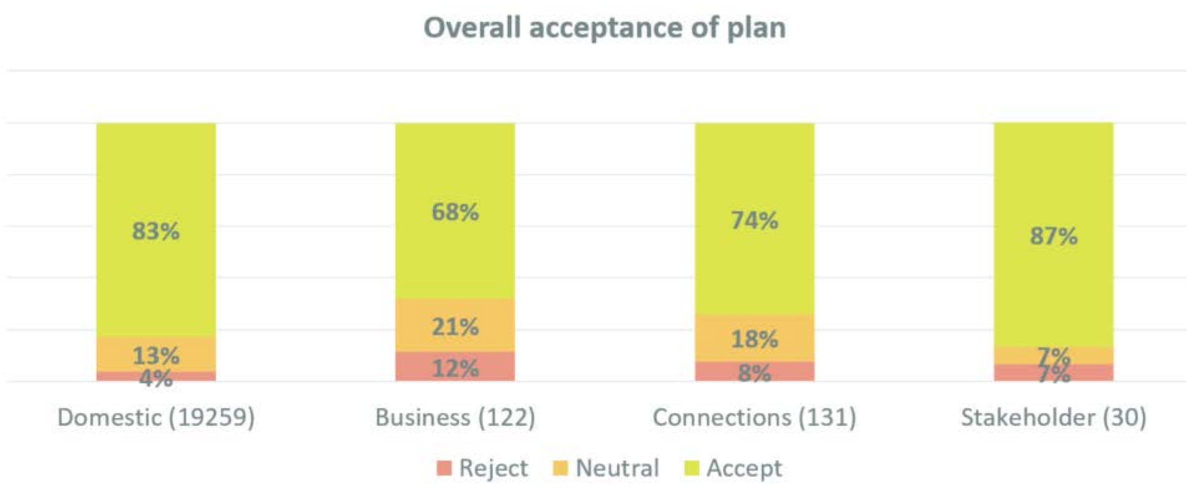

Figure 8: Business plan consultation survey – overall acceptance of plan scores

Domestic and connections customers,and stakeholder respondents were asked whether they felt the bill impact of an indicative £7 was acceptable, again the majority found it acceptable as shown by the graph below:

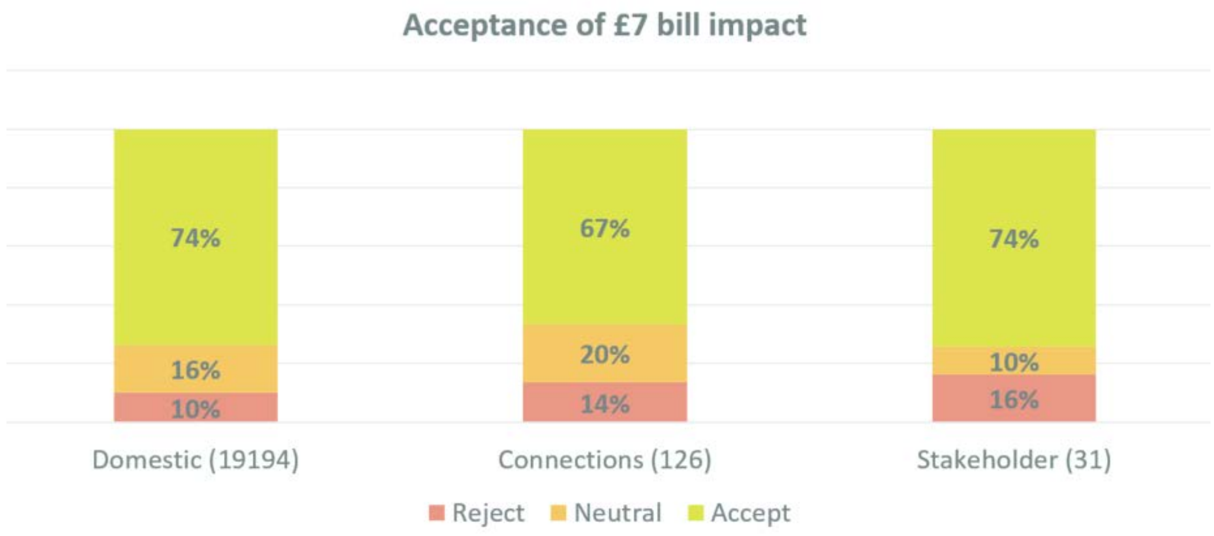

Figure 9: Business plan consultation survey –acceptance of £7 bill impact

Conclusions and next steps

Our business plan has been deemed broadly acceptable at the headline level.

During wave four, we will conduct further analysis to identify those customer segments with the highest and lowest levels of acceptability scores and the reasons for these. We will also seek to gain further insight into areas of focus for future engagement and to draw out key learnings for future acceptability testing and proposed plan refinements. Additionally, our final business plan investment and the overall impact on customer bills from 2023-28 will be fully explored with customers.

Engagement insight overview

In building our plans, we gathered feedback from over 52,000 unique interactions with stakeholders through more than 329 events, including surveys, summits, panels, co-creation workshops and bilateral meetings in conjunction with the WTP and BPAT research.

Engagement leads have listened, questioned, analysed and synthesised the feedback they have received from our many stakeholders and consumers and this has helped to define, develop and refine our business plan priorities, propositions and targets so that they meet the future needs and aspirations of our communities and our splendid regions.

All of the insights, feedback and research gathered during the development and refinement of the plan, have been synthesised into a series of overarching engagement summaries, providing a high-level view of the triangulated feedback from the first three engagement waves. Full details of all of the engagement activities undertaken by business plan area, and the subsequent insights gathered throughout the engagement waves, are included in detailed engagement findings annex and the individual output area sections of the plan.

These are a living record and we anticipate these will be updated as we move from draft plan to full plan later this year and further engage across our plan areas.

Appendix 1 – Best practice, benchmarking and assurance

We believe that at the close of the current business plan period (2015-23), we have a strong core of engagement to build on in the future. In creating our 2023-28 stakeholder engagement approach in terms of developing our plans and delivering future engagement, we have conducted extensive analysis and benchmarking within and outside industry including:

- 2015-23 business plan stakeholder engagement consumer vulnerability (SECV) submissions and the regulator feedback to assess strengths and weaknesses, identify gaps and collating best practice;
- 2021-26 gas distribution future stakeholder engagement propositions and supporting evidence in gas and transmission alongside our regulator and CCG feedback to determine best practice;
- other utilities, health and social care and UN guidelines for inclusivity frameworks and innovative engagement approaches; and
- annual assurance since 2012 against the AA1000 stakeholder engagement standard.

A summary of our findings and our responses are set out below:

Best practice/benchmark standard and source	Gap analysis/areas for consideration	Our response
Using stakeholder satisfaction information from SECV. It is difficult to benchmark overall stakeholder satisfaction, as not all DNOs measure or report consistently, but where available we benchmark consistently highly	We know from our own research feedback that some large customers receive more satisfactory engagement from other DNOs and water companies	We have included enhanced commitments for engaging our large industrial customers and their representatives as well as regional political and LA stakeholders within our 2023-28 business plan delivery plans
Benchmarking our stakeholder strategy and approach against other DNOs through SECV and an independent report we commissioned from Sia Partners we have a strong strategy and approach in place; this needs to continue to be implemented and scaled	We need to further explain our partnership approach, how we measure impact and develop our thinking around seldom-heard/hard-to-reach customers	We published a refreshed stakeholder engagement methodology (see Our Stakeholder Engagement Methodology annex) in January 2021, in collaboration with our external stakeholder panels who assured this work. The objective of these revisions is not to add additional layers to our work programmes, but to make it clearer that the work we do is properly stakeholder-led in developing our plans and throughout their delivery

We explored national and international research on best practice approaches to engage with seldom-heard/hard-to-reach stakeholders. We found that these were outdated terms and we needed to think more broadly than just inclusivity and accessibility in engagement and look at a holistic model including participation in the energy markets themselves	'Nobody left behind' is the more inclusive language emerging in some places within the energy industry and more widely in academia, health, social care and internationally through the UN	The UN 'nobody left behind' framework approach of examine, empower and enact is the best fit for us. We have used the core of this to develop our own 'nobody left behind' model tailored to energy, future energy markets and our regional social issues both currently and in the future
Benchmarking our engagement in early 2020 against 2023-28 gas and transmission plans we found that the best plans incorporate consumer panels (juries etc.) into business as usual engagement and that although our engagement channels are comprehensive there are areas of issue based engagement which need enhancement	There are specific areas of issue based engagement which need strengthening e.g. decarbonisation, community energy and social inclusivity	We have included enhanced commitments for engaging our large industrial customers and their representatives as well as regional political and LA stakeholders within our 2023-28 delivery plans. We have expanded our consumer panels; creating panels for domestic, rural, SME and future consumers as well as a specific panel for community energy groups. These will continue throughout 2023-28 delivery
Assessing best practice in Ofwat PR19 engagement within the water industry we looked at best practice approaches for WTP and innovative approaches we could use to support our engagement	Best practice included: – trade-off approaches to WTP; – developing and using education resources ahead of engagement to explain complex issues; and – quantitative behavioural techniques proved useful in understanding the driving force behind views across stakeholder groups	A full assessment of WTP best practice was commissioned from Impact, who then applied this best practice in our WTP methodology and approach. We will continue to invest in developing energy IQ resources (education materials) and 12 customer, stakeholder and colleague energy champions to assess and improve our messaging around complex issues. We introduced innovative behavioural research including barriers to accessing fuel poverty support and intergenerational research. We will continue to use these approaches where appropriate moving forward

Our 2020 AA1000 SES assurance was successful for the eighth year in a row	Recommendations for improvement included: – continuing to keep abreast of the impact that COVID-19 is having on engagement, particularly with regards to the disenfranchised; and – continuing to challenge ourselves to develop resources and communications that enable accessible engagement around complex issues	COVID-19 is one of the areas where we have sought to understand the concerns and impact on our stakeholders and customers through a variety of insight methods. We initially conducted a study that assessed the scale of vulnerability in relation to COVID-19 across key impact areas and supported a longer term attitudinal survey looking at the impact of COVID-19 on domestic and personal finances. We extended this research with additional work that examines whether the pandemic has impacted attitudes to decarbonisation. We will continue this activity into 2023-28. We will continue to invest in developing energy IQ resources and customer, stakeholder and colleague energy champions to assess and improve our messaging around complex issues

Table 1: Summary of our best practice assessment findings and responses