

## ESO RIIO-2 Stakeholder Group

# Stakeholder and consumer engagement strategies

## Executive summary

### Context

Stakeholders are at the heart of our RIIO-2 business planning process, and we have a programme of engagement in place to work collaboratively with stakeholders to constantly test and refine our proposals. A discussion took place at the January ERSG on our stakeholder engagement approach, and this paper sets out our updated strategy. ERSG has also discussed the ESO's approach to engaging consumers. Proposals for how we can enhance our approach both in developing the RIIO-2 business plan and during the RIIO-2 period are set out in this paper.

### Questions

1. What is the ESO's RIIO-2 stakeholder engagement strategy?
2. What has been discussed previously at ERSG on the stakeholder and consumer engagement strategies?
3. How have we responded to your feedback?
4. How is the ESO enhancing its approach to consumer engagement in developing the business plan and in RIIO-2?

### Conclusion

1. The goal of our stakeholder engagement strategy is to deliver a business plan with proposals that reflect evidenced, robust stakeholder engagement, are endorsed by stakeholders and meet Ofgem's enhanced engagement requirements. It takes a dynamic approach, in which a continuous feedback loop allows us to develop and refine broad thinking into the prioritised activities that feature in this and subsequent business plans. We are inclusive in our engagement and work with a wide range of stakeholders of different sizes and across a number of sectors. Our stakeholder engagement strategy is set out in full in chapter 5 of the business plan and aims to respond to ERSG feedback and the outcome of an independent review.
2. At a high level ERSG felt there was a lot of stakeholder engagement activity taking place but there could be a clearer programme of engagement to ensure engagement is high quality and feeding through to the business plan. They also felt the ESO needs to ensure it is reaching a representative group of stakeholders, and consider how it brings in the voice of harder to reach groups such as consumers, both in the developing the RIIO-2 business plan and during the RIIO-2 period.
3. We have taken a two-track approach to strategically reviewing our stakeholder engagement in developing the RIIO-2 business plan. We carried out an internal review and implemented a number of actions, including ensuring we're always clear on the outcomes we're aiming for in our engagement, that the process to incorporate stakeholder feedback in our content development is sufficiently robust and reviewed our stakeholder segmentation. We also commissioned an external review, which sought stakeholder feedback and benchmarked best practice organisations. This was largely positive and some evolution was recommended, such as telling our engagement story more effectively, moving to more of a continuous invitation to engage, utilising trade association meetings to a greater extent and targeting our communications more clearly to different stakeholder interests. This paper sets out actions we have taken forward already and those we will further embed as we go through the year.
4. As our engagement programme has developed, we have enhanced our approach to incorporating consumers' views. We have carried out an initial review of available consumer and community stakeholder views, from which we have understood further their priorities to inform our plan. As we go through the business plan development process we will engage with additional consumer groups to understand their views further. We are also considering how we can go further in our engagement during the RIIO-2 period, potentially building our role to one in which we champion consumers across the energy markets and considering whether we have a role in supporting consumers through the energy transition. We will work with stakeholders throughout the business plan development process to define how our role in this area could bring most value in the long term.

## The report

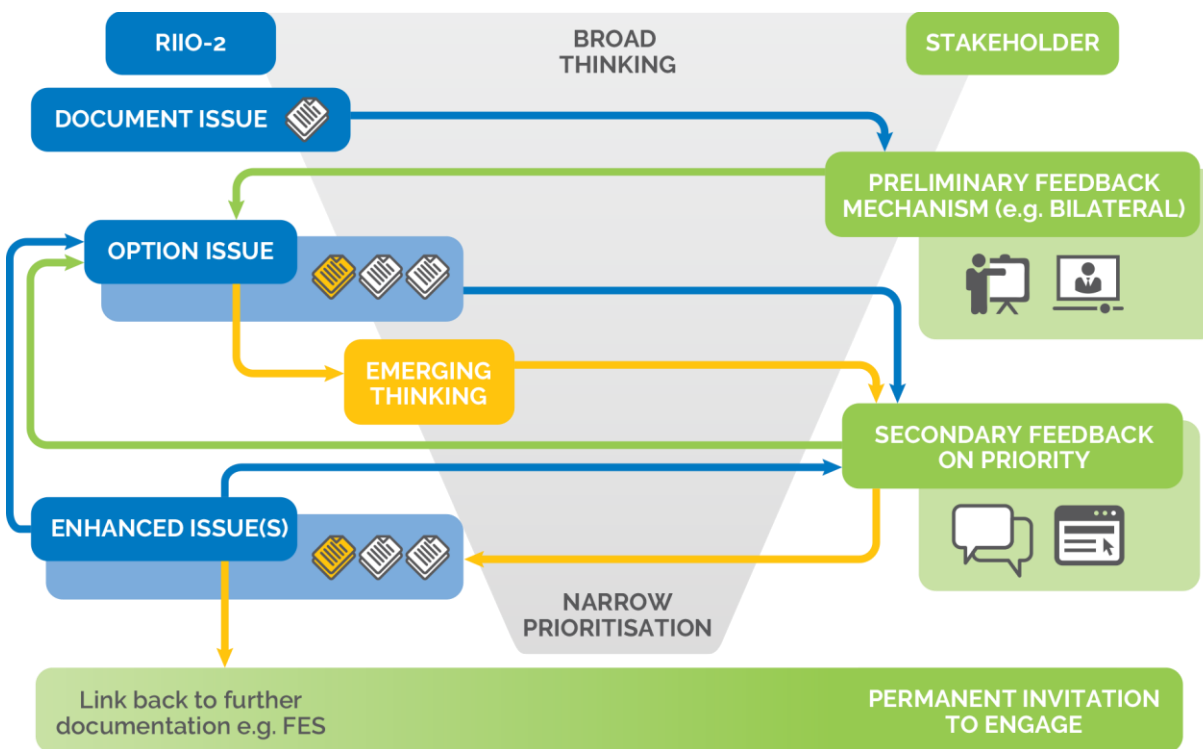
### Further context

As we embark on this unprecedented opportunity to develop a new business plan for the ESO, we need the insight and support of our customers and stakeholders. It is critical that we produce a plan that reflects stakeholders' needs and ultimately drives value for consumers. Our ambition document and draft business plan have been produced in collaboration with stakeholders, with proposals constantly being tested and refined. We want to ensure our engagement is as effective and inclusive as possible, targets the right stakeholders and its impact is clearly evidenced in our business plan.

### Analysis

#### What is the ESO's RIIO-2 stakeholder engagement strategy?

The ESO continuously engages stakeholders and our RIIO-2 specific engagement is a natural extension of this. The goal of our stakeholder engagement strategy is to deliver a business plan with proposals that reflect evidenced, robust stakeholder engagement, are endorsed by stakeholders and meet Ofgem's enhanced engagement requirements. It takes a dynamic approach, in which a continuous feedback loop allows us to develop and refine broad thinking into the prioritised activities that feature in this and subsequent business plans. We are inclusive in our engagement approach and work with a broad range of stakeholders of different sizes and across a number of sectors. We have evolved our engagement strategy to an "always on" approach that removes linear time driven barriers and adopts a permanent invitation to engage.



We have set out our stakeholder engagement strategy in Chapter 5 of the business plan (pages 36 to 42).

#### What has been discussed previously at ERSG on the stakeholder and consumer engagement strategies?

The strategy has been developed further since stakeholder engagement was discussed at the January ERSG. The group felt a lot of engagement had been done so far by the ESO but there could be a clearer programme of engagement to ensure it is high quality and feeding through to the business plan. They suggested:

- There should be a programme of engagement that is run through the planning process, with clear outcomes and validation
- There should be a golden thread on stakeholder engagement throughout our narrative – a clear story throughout on how stakeholder feedback has guided our proposals
- There should be a breakdown of which sectors our bilateral meetings have been with
- The ESO should commission an independent review on how well we're doing and learn from the water industry
- The ESO should consider how it can understand consumer views to a greater extent in developing the business plan

## How have we responded to your feedback?

We have taken a step back and considered what is working well in our stakeholder engagement approach and where we can improve as we develop our business plan. Our internal strategic stakeholder review identified actions to:

- Ensure we're always really clear on what we're trying to achieve through our engagement by having clear stakeholder plans for each topic area, including what we are trying to achieve and how we will do that
- Enhance our processes to ensure stakeholder feedback is reflected in our content development and improve our data capture process
- Review our stakeholder segmentation to ensure we are confident we understand a representative view of the industry. This includes enhancing our approach to understanding consumer views, on which there is more detail later in the document
- Learn from the Ofwat price review decision and leaders in the water sector
- Review our approach to capturing and analysing data.

Some of the other feedback from ERSG such as stakeholder segmentation was already in place although did not come out in the material presented.

We also commissioned an external review, which was taken forward over April and May by the Marketing Pod<sup>1</sup>. The scope of the review was to:

*Give the ESO a good understanding on how effective its stakeholder engagement approach for RIIO-2 is in delivering a business plan in which there is a clear and robust understanding and evidencing of stakeholders' views and how those have guided the proposals. Including:*

- *Which aspects of stakeholder engagement or related processes need improvement and how*
- *Which aspects of stakeholder engagement or related processes we are doing well*
- *What different and innovative approaches could be used to engage with stakeholders*
- *How the ESO's approach compares to best practice in the energy industry and more broadly*
- *How we can communicate our approach to stakeholder engagement in a coherent and easily understandable way*

The Marketing Pod undertook 16 formal and one informal stakeholder interviews and analysed four other engagement models for best practice. Those interviewed were a mix of ERSG and broader stakeholders. Their overall findings were "hugely positive", with the message being one of evolution rather than revolution.

### Overall and engagement model

- We have successfully anticipated stakeholder needs and are already taking significant steps to address them within our business plan
- After a slightly slow start, ERSG members are positive about the direction that the group is taking as the business planning phase commences in earnest
- There is a need for a process which supports continuous story creation
- We need to show and demonstrate "emerging thinking"
- A less linear model which is supportive of the stakeholder groups and their requirements would be beneficial
- Collaboration with other bodies will enable us to access wider and more specialist views in a way that is more efficient for ESO and for stakeholders

### Engagement channels

<sup>1</sup> <https://www.themarketingpod.co.uk/>

- We are using a broad and appropriate range of channels and communication methods
- We are successfully engaging a significant range of stakeholders in the networking and development of our plan, including more end users (or representatives) than we may have assumed
- There is appetite for digital channels if used well, particularly amongst those stakeholders that are time poor, less engaged or not located near to London or Warwick

#### Access

- The Ambition Document is a far clearer, more accessible format than previous ESO documents, containing a narrative around stakeholder engagement
- Time is a real issue for stakeholders across the board, so there must be an emphasis on making it easy for them to engage on the topics that most interest them for RIIO-2, to ensure ongoing, quality engagement
- There needs to be the removal of practical barriers / support through making navigation easier with more practical signposting and user driven access

#### Golden thread

- Stakeholders value proactive feedback regarding their input, both for those ideas that are adopted and those that are rejected
- There is a requirement to demonstrate the practical application of feedback with strategy and approach

From their findings, The Marketing Pod went onto recommend practical actions we could take. At a high level the actions we are taking forward based on their recommendations are below, with more detail in the annex of this paper.

- We are utilising the engagement model suggested by the Marketing Pod to explain our engagement in the July Business Plan (diagram above) and ensure our engagement is fully aligned with this approach going through the year
- We are making engagement through trade associations a more formal part of our stakeholder strategy
- We are introducing a more tailored, targeted approach to our email communications
- We have a detailed annex to the July business plan on stakeholder feedback and our response
- We are investigating enhancements to our website and the potential use of online discussions/forums.

The full report from The Marketing Pod is attached separately for information. We will continue to incorporate the changes as we move through our business plan development process to ensure we are developing and maximising the value of our engagement and improving the areas that risk us successfully meeting our goal.

## How is the ESO enhancing its approach to consumer engagement in developing the business plan and in RIIO-2?

The ESO is considering its approach to consumer engagement over two related time periods – in developing the RIIO-2 business plan and during the RIIO-2 period. ERSG and consumer groups have challenged us to go further in more directly understanding consumer views and ensuring we have reached a sufficiently broad group of stakeholders. Any action taken in this area needs to be proportionate to the ESO's impact on consumer bills, which is a view reflected by Ofgem.

### Developing the RIIO-2 business plan

In developing the RIIO-2 business plan we want to ensure a sufficiently broad range of stakeholders, including domestic and non-domestic consumers, are engaged to be confident a representative view is understood and taken into account. Greater understanding in this area can also help us understand the behaviours and culture that will help us achieve our longer-term goals. Our approach has been to understand consumer views through three routes; direct engagement with consumer groups, membership of consumer groups on ERSG and our engagement through Power Responsive and our RIIO-2 webinars has also reached non-domestic consumers.

We are enhancing our approach to understanding consumer and harder to reach stakeholders' views in the development of the RIIO-2 business plan. We have carried out an initial review of some available relevant consumer views and used these to inform our business plan. This includes information from or about specific sectors/groups and research carried out by other relevant organisations such as network companies and BEIS. This has helped us understand the priorities for community energy groups and build our understanding of the priorities for domestic consumers in relation to energy. Between now and the October business plan we will review further available information and deepen our understanding through engaging with a targeted selection of consumer groups, academics and companies.

We feel this allows us to understand a more representative selection of views, is proportionate to the ESO impact on consumer bills and realistic with the time and resources available.

### Consumer engagement during the RIIO-2 period

We are also currently considering how we can step up our consumer engagement during RIIO-2. Again, we are conscious about taking a proportionate approach but also considering the opportunity being a legally separate ESO provides. Our current thinking as set out in the business plan is below. If the decision is taken to progress these activities, they would build from our current position over the RIIO-2 period, and would not all commence from day one.

- There is a need to support consumers through the energy transition, to help them to take advantage of the opportunities it may bring them, as well as to consider their own priorities and value drivers. Because of our unique position as a balanced and neutral ESO, we are well placed to take on this role. This work is likely to be a long-term journey, particularly as progress on decarbonisation of heat and transport begins to impact more directly upon greater numbers of consumers. Initially we will seek to partner with key suppliers and consumer groups to champion the consumer, providing education support around energy use and the future of energy. Further along this journey we would seek to work closely with others in the energy industry, not least the DNOs, as the impacts and opportunities both nationally and regionally become clearer.
- As well as supporting consumers, this role will also enable us to become a Consumer Champion across the energy markets, helping to drive overall consumer value.
- We will use our experiences with campaigns such as Power Responsive to identify the best ways of doing this.
- We will also help to drive the decarbonisation agenda at the local consumer level through carbon neutral data, pushing decarbonisation messages through our various communications and publications and enabling behaviour change around energy use.
- Internally, the Customer & Stakeholder team will champion the priorities of the consumer within the ESO ensuring that all organisational decisions and behaviours keep the consumer front and centre, and support teams across the ESO to measure consumer benefits.

### Conclusion

We feel we are on track with stakeholder engagement to achieve our goal of delivering a business plan in which the proposals reflect evidenced, robust stakeholder engagement, are endorsed by stakeholders and meet Ofgem's enhanced engagement requirements. We are taking action to ensure we improve in the areas that risk us successfully meeting our goal including:

- Evolving our stakeholder engagement strategy following internal and external reviews to a more dynamic, continuous approach and more clearly explaining that approach
- Making improvements to accessibility, feedback, targeting of communications and also how we talk about our stakeholder engagement
- Investigating further developments such as to our website and new engagement channels as we work towards later business plans.

We are also enhancing our approach to consumer engagement both in the development of the RIIO-2 business plan and during the RIIO-2 period.

- We want to ensure we have a representative understanding of stakeholder views, including consumers, on the ESO's priorities and also their views on the direction of travel on energy. We have sought to further understand consumer views through publicly available information and have plans to broaden this and understand it in more detail to help inform our October business plan
- We have set out initial thoughts on how we could step into more of a leadership role with consumers in RIIO-2, potentially building our role to one in which we champion consumers across the energy markets and considering whether we have a role in supporting consumers through the energy transition.

## Annex – The Marketing Pod recommendations and our response

### 1. The engagement model:

Recommendation	Our response
Move on from focusing on specific engagement points to continuous engagement, mirroring best practice – a permanent invitation to engage.	We are utilising the engagement model suggested by The Marketing Pod in the July Business Plan (diagram above), in which engagement is continuous rather than split into phases. The model is an evolution of the way we have previously explained our stakeholder engagement, as in reality the clearly defined phases of engagement we previously described blended into each other. We will ensure that this is how the process feels to stakeholders, and as far as possible avoid a segmented consultation-like approach.
Allow access to emerging thinking as part of the process, enabling earlier collaboration.	
By removing some of the pressure around consultations via continuous engagement, ESO will help stakeholders to manage industry ‘consultation seasons’.	
Develop plans for engaging end users via a series of collaborations	Our plans for stakeholder engagement throughout the remainder of this year are in line with this approach. We do not intend to carry out a formal consultation on the July or October business plans, and instead run a programme of engagement to test some of the detailed elements such as the proposals on which there were a range of views, costs and benefits of the proposals, and to develop metrics.
It is vital that the next phase/ implementation feels as engaged and thorough as the listening phase. It must also be very tangible to secure ongoing, constructive engagement.	
Make Trade Associations/ third party conduits a more prominent and formalised feature of the programme.	Since the publication of the ambition document we have engaged through a number of trade associations and have found them a valuable engagement route. In line with the recommendation we will ensure this is a continuing and formal part of our stakeholder engagement; being our starting point when planning engagement.

### 2. The engagement channels:

Recommendation	Our response
Consider substituting some webinars/ workshops for sessions at other industry events.	We will continue to offer a range of engagement channels, in addition to the focus on engaging through others’ events.
Bilaterals, webinars and face-to-face opportunities will remain important elements of the engagement programme.	
Consider trialling online discussions/ forums for harder to reach/ time poor stakeholders, as well as those that are not located near to London/ Warwick.	We are seeking more information on potential online forum platforms and will consider a trial of their use once we understand them further. We will also, where appropriate, run engagement workshops in Scotland to reflect the diverse geographical locations of our stakeholders.
Develop e-mail strategy with self-selected topic filter option and differentiated messaging by audience. Include criticality flags.	We will evolve our email bulletin approach to allow stakeholders to clearly signal their areas of interest and therefore receive tailored communications. We will also be clear on the criticality of email communications.

## 3. Access:

Recommendation	Our response
New approach required to enable “always on” approach and make it easy for stakeholders to engage and access the information they need, via a better functioning resource library.	This would bring some really positive enhancements to accessing information on our website. We need to investigate it further both in terms of website functionality and the resources involved in preparing material and will do so later in June and into July.
ESO needs to implement a new approach to harvesting and accessing stakeholder feedback through proposed portal structure.	
Ambition Document layout is a big step forward so recommend continuing to develop this format.	We are currently planning an accessible document to support the July business plan, reflecting that the business plan has been developed for Ofgem and its Challenge Group but is not necessarily the easiest for stakeholders to quickly and easily understand the detail relevant to their organisation. This will be published in mid-July.
Produce succinct summaries of documents so that stakeholders can make an instant assessment of key points.	

## 4. The golden thread:

Recommendation	Our response
Development of permanent invitation to engage is vitally important	As above, this is an evolution from the approach we currently take and we will progress with it.
Propose providing access to full, detailed feedback and responses via the portal for those interested	We will consider this further once we have investigated the practicalities around the portal.
Stakeholders must be able to trace their own comments and associated response reflected in your documentation	We want to ensure that stakeholders are really clear on how their feedback has been considered and used in the development of our proposals. As well as the theme chapters of the July business plan setting out how feedback has shaped our proposals, there is also a detailed stakeholder annex, which sets out what we have heard and how our business plan proposals respond to that. This is anonymised and summarised in themes. We will consider how we can more proactively feedback to stakeholders on the impact of their feedback following engagement and the role the potential portal can play in this if taken forward.
Business plan narrative must be couched in “this is what was suggested, this was the stakeholder response, this is what changed as a result”	
Continue to demonstrate reference to end user insight from other sources/ earlier research	Our enhancements to understanding end user insight are set out in the following section, which includes understanding insight from other sources as the starting point.
Capitalise on wider ESO knowledge gained through other programmes/ divisions (e.g. FES) that is relevant to demonstrate that you’re operating efficiently and working in the interests of stakeholders	We will continue to incorporate feedback received in broader ESO engagement into our RIIO-2 developments.