

nationalgrid

BRUNSWICK

RESEARCH

CHIME COMMUNICATIONS PLC

NATIONAL GRID TPCR5 STAKEHOLDER PRE-CONSULTATION

Summary of findings for National Grid

August 2010

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APPROACH

- Depth interviews conducted with 37 stakeholders
- 82 invitation letters sent to prospective respondents, giving a response rate of 45%
- Fieldwork conducted between 6 July and 11 August 2010; mixture of telephone and face-to-face interviews, 30-45 minutes in duration
- Topic guide approved by National Grid; revised during fieldwork to reflect lower knowledge of industry issues among stakeholders outside the energy industry
- Stakeholders selected from three audience groups: Industry, Public Affairs, Interest Groups
- Within each audience, stakeholders classified by type, and invitations sent to a balanced spread of stakeholder groups, approved by National Grid
- All responses non-attributable

PARTICIPANT ORGANISATIONS

PUBLIC AFFAIRS

- Argyll & Bute Council
- DCLG
- DECC
- DEFRA
- House of Commons
- Scotland Office
- Welsh Assembly Government*

INDUSTRY

- Alderney Renewable Energy
- BG Group
- Centrica
- Dong Wind (UK)
- EDF Energy
- Energy Networks Association
- E.ON
- ESBI
- Northern Gas Networks
- Scottish Power
- Siemens
- Scottish & Southern Energy
- Xero Energy
- Wales & West Utilities
- Waters Wye*
- Western Power Distribution

INTEREST GROUPS

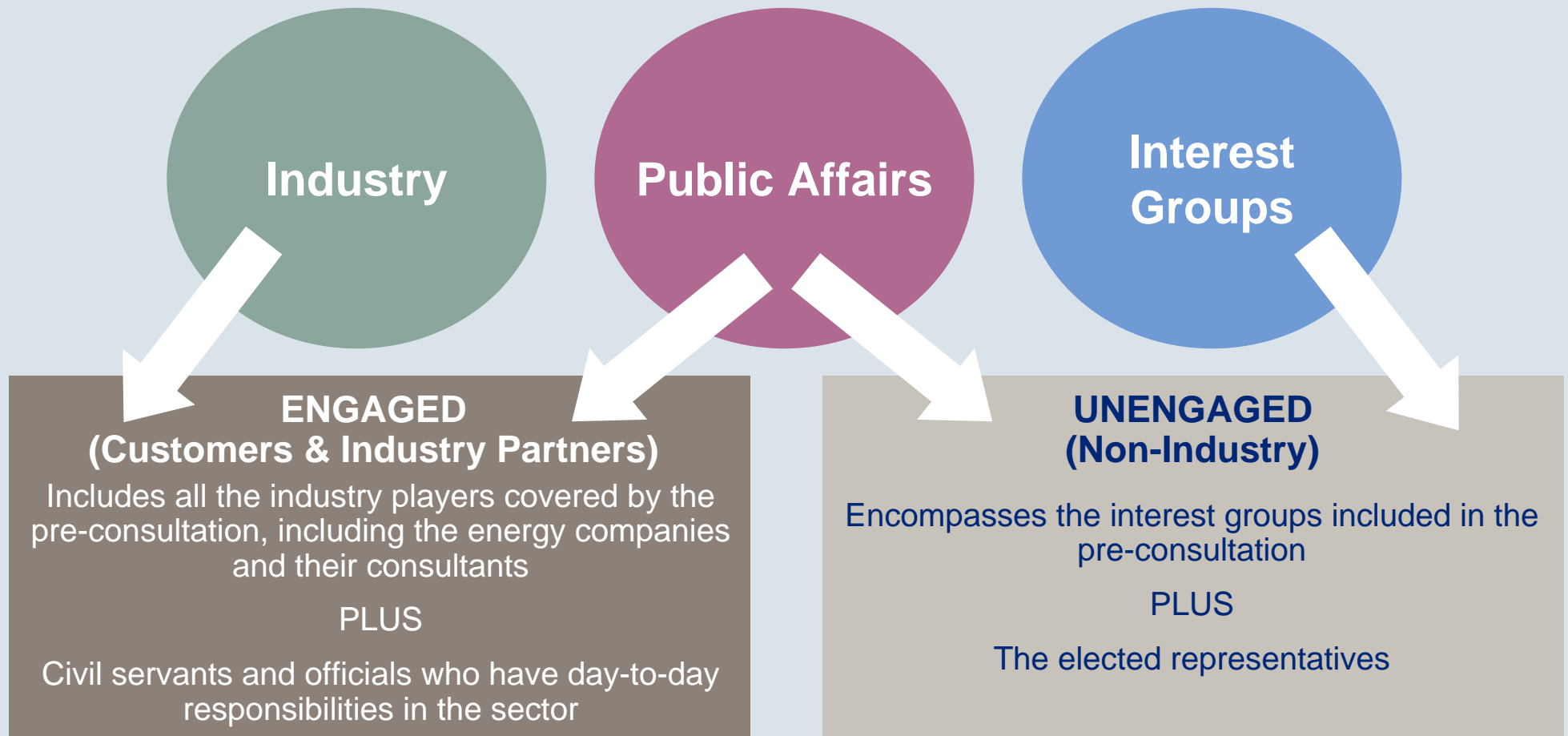
- Campaign for National Parks
- CBI
- CPRE
- Child Poverty Action Group
- ENTSO-E
- Prospect
- REVOLT
- RSPB
- Save Nailsea West
- SRPBA
- Which?
- One Interest Group organisation has not given their consent to be identified

* Two participants from these organisations

YOUR STAKEHOLDERS: FAMILIARITY WITH ISSUES AND EXPERIENCE OF CONSULTATIONS

YOUR STAKEHOLDERS: ENGAGED VS. UNENGAGED

Your stakeholders fall into two distinct segments: those who are engaged with industry issues and those without a direct link. A classification that cuts across the three main stakeholder groupings



FAMILIARITY WITH ISSUES: ENGAGED AUDIENCES

The engaged audiences are familiar with the price-setting process and feel broadly positive about National Grid. Where they have concerns, these centre around perceived cautiousness and a feeling Grid simply follows direction from Ofgem

**Industry stakeholders are aware of price controls
and the consultations that surround them**

**But detailed understanding of the price control
structures is much more varied**

POSITIVE

Industry stakeholders feel that they are well-consulted

Good range of opportunities for contact (although Warwick is not easily accessible for many)

National Grid 'do consulting well' – meet Ofgem requirements diligently

No expectation National Grid would do more

But that doesn't mean people feel they have influence...

LESS POSITIVE

Sense that this is about 'going through the motions'

National Grid are felt to be risk averse – especially around investment in the network

Ofgem is seen to be the real customer for National Grid


FAMILIARITY WITH ISSUES: ENGAGED AUDIENCES

- *“Generally I think they’re very good at what they do in terms of investing in the system and operating the system, you know where we tend to disagree with them is ... they’re very risk averse, which is understandable, low reward, low risk business model, but it’s almost to the extent that it prevents them doing anything, unless Ofgem allow it or tell them to.” (Industry)*
- *“I know a lot about what they do, I know what they're responsible for, I know a number of people involved in the transmission side and I know what the key issues are on transmission in terms of charging, use of system charges, balancing system charges. So I know a fair amount of how National Grid operates.” (Public Affairs)*
- *“The risk is that it's just consultation for consultation's sake, which in a way it is, to the extent that Ofgem says you've got to do it, not to say that they wouldn't have done it in their absence but probably the objective has been sharpened by Ofgem's dictation that there needs to be far more stakeholder engagement.” (Industry)*

OBSERVATIONS ON THE ROLE OF DECC AND OFGEM

DECC and Ofgem clearly have dominant roles in the industry. As already noted, Ofgem is seen as the real customer for National Grid

- Engaged stakeholders are keenly aware that National Grid and the wider industry are, to a large extent, bound by Ofgem's rules and decisions
- A situation that leads many to believe that regardless of National Grid's intentions in conducting the consultation, it is a somewhat meaningless exercise – Ofgem will make the final decision

- 
- All of which has implications for the winter consultation, and whether it is seen as a genuine listening exercise, with the scope to make a real impact on National Grid's business plan
 - Consultation should be framed in the context of what Ofgem has already mandated and what is open for discussion

FAMILIARITY WITH ISSUES: UNENGAGED AUDIENCES

In contrast to the more engaged stakeholders, few have much knowledge of price controls, and little sense of how they relate to their particular areas of interest

- Knowledge of industry issues is low and contact with National Grid is lower still
- Their focus is on their own agendas, and their interest is limited to where price controls have an impact on their issues
- Consequently, if they do have a view, it is on specific National Grid and industry activities (pylons, pollution, energy prices), not on the system of price controls

BUT - they won't take the time to seek out their issues in your consultation document

THEY NEED

A clear reason to engage, above all relevance to them
A clear sense of what they can influence, and what is open to consultation
Low-cost ways of getting involved

FAMILIARITY WITH ISSUES: UNENGAGED AUDIENCES

- *“It [National Grid] is a name and I know it’s related to electricity infrastructure, but apart from that, very little [about it] as an organisation. And then to think about it now, would I have known about it as an organisation as opposed to the concept of the national grid? I’m not sure I’d have known the distinction.”*
(Interest Group)
- *“I don't have a lot of technical detail about how the price controls operate to be honest with you. I don't go into that kind of detail in my dealings with them.”*
(Public Affairs)
- *“We would have an interest in ensuring that they’re not going through areas which are protected for wildlife, so we have an interest from the planning point of view. I would say I don’t know anything about the pricing side of things, but that’s not really our interest, but we do also have a general interest in decarbonisation of the UK economy.”* **(Interest Group)**

THE NEED TO 'EDUCATE'

There is a need to 'educate' and 'bring up to speed' stakeholders on the wider implications of the Transmission Price Control Review, the public policy ramifications and the trade-offs involved

- This applies to the less engaged stakeholders, but also in part to the engaged group – transmission customers and industry partners – who at times can get bogged down in technicalities and minutiae



- Deliberative-style research methods would provide stakeholders with different viewpoints and perspectives, and allow them to debate different trade-offs and potential scenarios
- Group discussions with peers are a learning exercise in themselves

EXPERIENCE OF OTHER CONSULTATIONS

Experience of consultations varies by stakeholder audience. While industry stakeholders will set resource aside to respond to consultations, interest groups often feel over-burdened by extensive consultation processes

▪ Industry stakeholders

- Participate in fewer consultations
- Value those that they do engage with:
 - Transporting Britain's Energy
 - System Operator Incentives
 - Scottish Power & SSE joint consultation
 - Project Discovery
- Prepared to put resource and effort into their responses when it is clearly relevant to their business

▪ Interest groups

- Requests for consultation responses are much more frequent and varied
- Often demand more resource than they can spare
 - Especially if the relevance isn't immediately apparent
- Value consultations which offer easy ways to engage – in terms of time but also expertise – the technical or economic focus of many consultations leaves them with less to say than they would like

AND Ofgem's pronouncements on consultation mean many of our target stakeholders will be bombarded by a range of organisations in the energy industry

→ A NEED TO STAND OUT

EXPERIENCE OF OTHER CONSULTATIONS

- *“A fairly impenetrable and exhausting process for small charities to engage with... It's easy to get swamped with technical information and technical data and to lose site of the bigger picture sometimes, and also there are so many stages of consultation that consultation fatigue is definitely a real issue for small organisations like ours.” (Interest Group)*
- *“Whereas industry quite often have a team of people ... so it doesn't matter if lots of documents come out ... they have enough chance and resource to sit down and look at it and put some time and effort into it and giving a due response. Whereas with ourselves we have to prioritise what we're looking at... because we don't perceive it as being one of the major issues [relevant to us] we might not prioritise to respond to a consultation.” (Interest Group)*
- *“I see a lot of these industry consultations about different types of charging, a recent one has been about intermittent generation charging and you get these pages full of formulae and they'll just switch a lot of people off.” (Public Affairs)*

WHO SHOULD YOU CONSULT?

WHO SHOULD YOU CONSULT?

Network users and those with a direct business connection are seen as the essential participants. However, stakeholders are reluctant to rule anyone out

People who are **DIRECT USERS** of the transmission network are the **most important** audience

- Electricity generators, gas producers, distribution network operators, energy companies, suppliers, shippers, transporters, storage providers
- Future users of the network – especially those generators that are critical to meeting future targets

Mixed views on the importance of involving **CONSUMERS** or their representative bodies

- Especially given low price impact of transmission in overall bills

Some feel it is important to be conscious of the **POLITICAL** landscape – to consult Government, politicians

FINANCIAL COMMUNITY are felt to be important by those stakeholders who are aware of the need to secure funding for forthcoming investment programmes

ENVIRONMENTAL NGOs

AFFECTED GROUPS – e.g. local resident groups, grantors

Also must consider

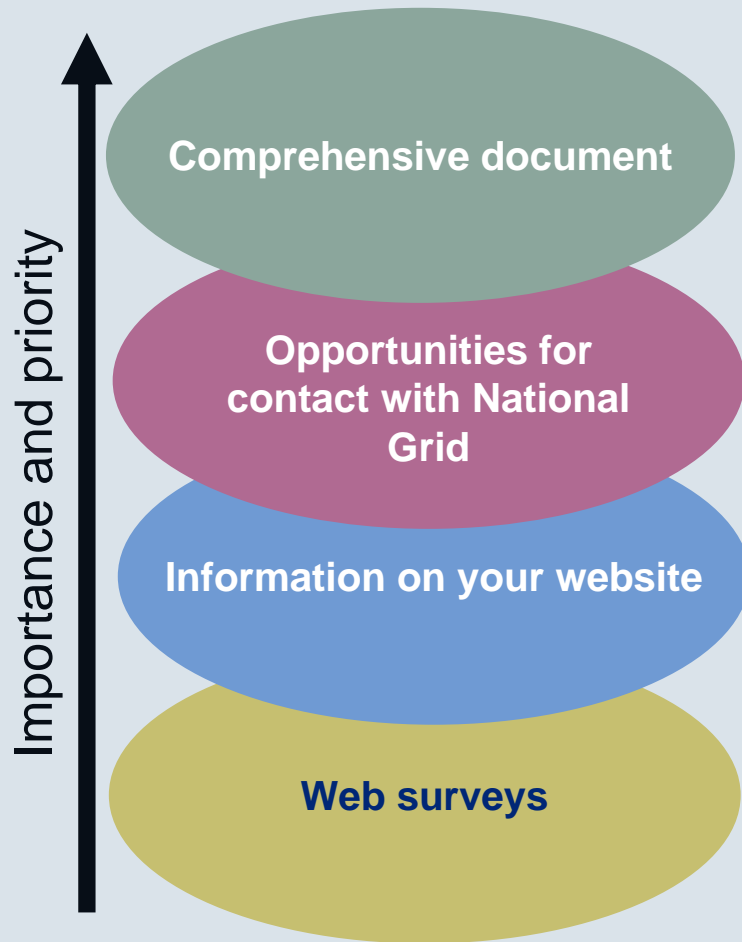
WHO SHOULD YOU CONSULT?

- *“These would be my kind of three big ‘you must talk to’: generators, distribution companies, gas storage operators are the all industry bit, the customers are a fairly easy to define group, but National Grid does then have to raise financing and therefore it does have to worry about the debt markets and the banks.” (Industry)*
- *“It's a very complex picture out there isn't it, with lots of different players and pretty much everyone else has a role to play at some point or in some way within the electricity transmission or distribution system, so I can't see any obvious people that I would say National Grid definitely shouldn't be talking to.” (Interest Group)*
- *“Domestic consumers are an important one as well. Because these are the people who will pay for it all in the future. At the end of the day the £200 billion expenditure that needs to be done on grids and generation infrastructure to meet our targets will end up on the consumers' bills.” (Public Affairs)*
- *“Well from my perspective we would obviously want them to talk with the environmental bodies, [ourselves], but environmental NGO's more widely, plus the statutory environmental bodies.” (Interest Group)*

HOW SHOULD YOU CONDUCT THE CONSULTATION?

HOW SHOULD YOU CONDUCT THE CONSULTATION?

Amongst your customers and industry partners, the expectation is for a big thick consultation document



This is what they're used to

- Most customers will spend significant time and effort on their submission
- They have the resources to respond, and the expectation that National Grid will consult in this way

The document should be:

- **Comprehensive**
 - Allowing them to choose their own level of depth and detail
- **Easy to navigate**
 - This hasn't always been a feature of past consultations
 - Cross referencing between sections, fact sheets, etc
 - Easy to find the elements that are relevant to a particular organisation

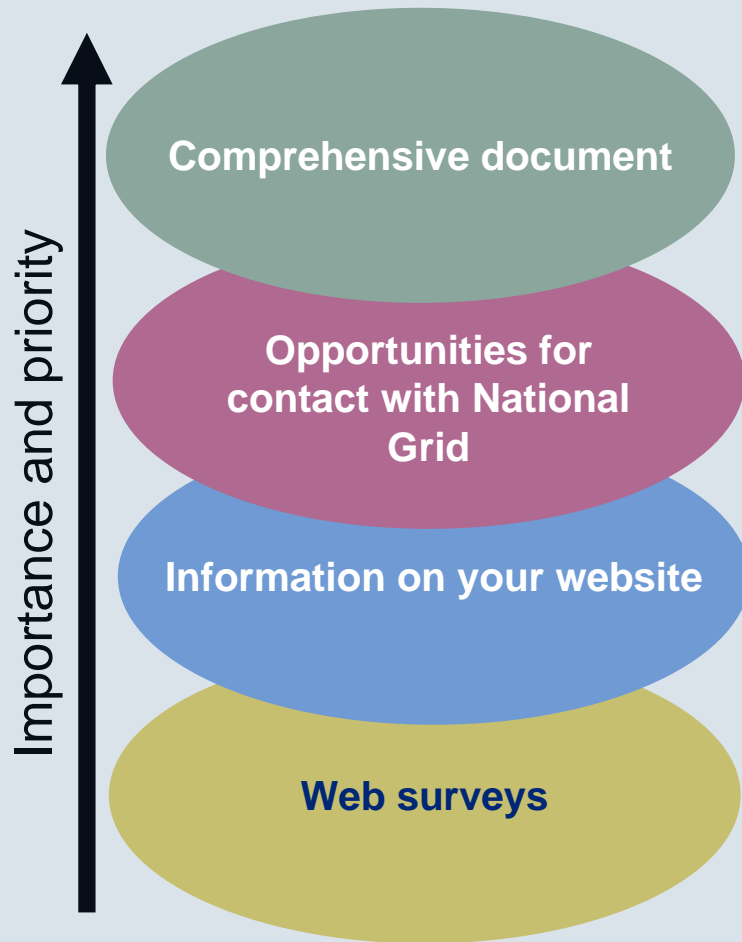
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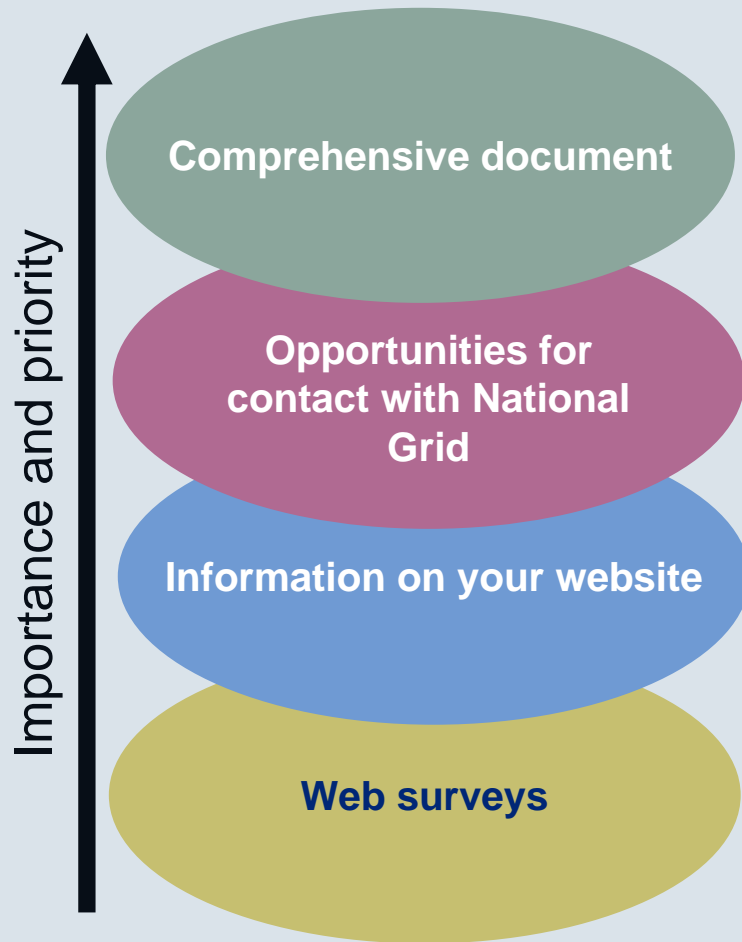
Web information should include:

- All key documents from this consultation
- Opportunity to review previous stakeholder submissions

Customers and industry partners often criticised the **accessibility** and **navigability** of the National Grid website

HOW SHOULD YOU CONDUCT THE CONSULTATION?

Amongst your customers and industry partners, the expectation is for a big thick consultation document



For customers and industry partners, online surveys are too shallow

- Feels like a lightweight option
- Lacks engagement with the detail

HOW SHOULD YOU CONDUCT THE CONSULTATION?

- *“I’m an odd bugger working in the world of politics where we need to develop the right policies and know the detail but we also work for Ministers and the question about public interaction is all important... I need both high level and detailed stuff [in consultation documents].” (Public Affairs)*
- *“Individual meetings give us an opportunity to bilaterally represent our views that may mean that we’re able to better reflect our individual position to National Grid, as opposed to having to be more mindful of how we communicate messages when we’re in wider industry groups. That said, the group seminars are very good for debating things before they get to the consultation stage, it’s also a good opportunity for National Grid to test the waters on certain things and to keep industry up-to-date.” (Industry)*
- *“There’s no point in getting people from all spheres of the industry and trying to get a consensus because you’ll never do it. If they do want to do seminars then keep slightly more focussed on the various bits of the industry so then you can collate all the different views and then try and come out with something.” (Industry)*

HOW SHOULD YOU CONDUCT THE CONSULTATION?

If you want non-industry input, you first need to send a clear signal about why they should get involved... and demonstrate that you're genuinely interested

- Interest groups are resource-pressed and narrow of focus
- Just making the document available isn't enough to widen participation

1

- **Make it easy for them to make an informed choice about participating:**
 - Seek them out and tell them why TCPR5 should be an issue for them
 - Partner with organisations that your audience are familiar with
 - Show non-industry audiences how their input will be used:
 - Don't overstate their influence
 - Do show that you'll listen and that you are keen to hear about their issues

HOW SHOULD YOU CONDUCT THE CONSULTATION?

Once you've made a case for participation, it's important to provide a range of opportunities for non-industry stakeholders to engage

2

Create multiple depths of engagement

- Tailored documents setting out how price controls touch on *their* issues
- Opportunities to raise issues and ask questions without a formal submission
- Simple diagrams and interactive tools

3

Create multiple modes of engagement

- Discussion groups – focussed on particular themes, relevant to a particular audience
- Short issue-focussed discussion documents
- Opportunities for consortia to reply – and approach like-minded organisations together

4

Provide feedback

- Tell stakeholders what National Grid has learnt from them
- Make sure you capture the outcomes from discussion events, etc

HOW SHOULD YOU CONDUCT THE CONSULTATION?

- *“So we found that we had to work incredibly hard to get stakeholder interest ... if you just send things out and sit back waiting for replies, you won’t get them. You need to send them out, you need to chase people ... we did general stakeholder meetings, we did tailored presentations, we did specific stuff for MPs, we did specific stuff for business organisations ...
... you have to really drive it ... use things like your web site and documents and fact sheets to get it out to a wider audience, then it becomes an exercise on the telephone to make sure key people have got it, then the individual meetings.”*

(Industry Stakeholder, discussing own experience)

HOW SHOULD YOU CONDUCT THE CONSULTATION?

- *“Well at the high level there’s obviously a decision that we have to take about whether to actually engage with the consultation at all, because we’re faced with hundreds of consultations, a lot of which are coming out of government, but they’ll come out from other people as well. So we would have to assess: does this affect our interests sufficiently to make it worthwhile for us to put the time into responding?” (Interest Group)*
- *“I would emphasise more that what they use has to be tailored to the consultee, not one document that serves all parties ... if you are talking to experts that’s one thing, if you are talking to financiers that’s another and if you are talking to the public, as I mentioned that is something totally different.” (Public Affairs)*
- *“A lot of the stuff that National Grid produces for obvious reasons is really difficult to understand, if you’re not a trained engineer, so really you’re trying to make it something that people can follow and not reams and reams of it as well because, particularly the smaller companies, just get lost.” (Public Affairs)*

WHAT SHOULD YOU TALK TO YOUR STAKEHOLDERS ABOUT?

WHAT SHOULD YOU TALK TO STAKEHOLDERS ABOUT?

Unless the consultation is clearly about future provision and costs, stakeholder engagement will be shallow

Themes that you put forward need to be:

1

Open for negotiation and influence from stakeholders

- Be clear about what can and cannot be changed

2

Genuine trade-offs between costed options

- Trading off performance on one theme against another
- Trading off against different price ceilings

3

Informed by more information from National Grid:

- Future scenarios
- Costs, benefits and timetables

Stakeholders are looking to you to frame the discussion – and explain why it's being framed in that way...

WHAT SHOULD YOU TALK TO STAKEHOLDERS ABOUT?

- *“It’s about strategic network investment ... I think it’s about trying to inform the right level of investment.” (Industry)*
- *“[National Grid should say] ‘Here’s what we plan to do in the next five years – here’s our role, here’s Ofgem’s role, here’s the bits that are optional and you can have a say in ... we will be spending money on [X] because that’s the law, so we’re not asking you about that, but you can have a say on how much we spend on [Y].’” (Industry)*
- *“Be able to say, ‘Look we asked this question, we got [XX] responses, they’re all published, here’s how they combine, here’s what we decided to do as a result.’” (Industry)*

WHAT SHOULD YOU TALK TO STAKEHOLDERS ABOUT?

Stakeholders were invited to consider six themes:



WHAT SHOULD YOU TALK TO STAKEHOLDERS ABOUT?

Safety

This is felt to be a 'given':

Non-negotiable, cannot be part of any trade-offs, so therefore not necessary to be consulted upon

"Because ... the company has legal obligations, the company has requirements under the Health & Safety Act ... you consult with stakeholders and they could tell you a different story, but you wouldn't be able to do anything about it." **(Industry)**

"I don't really think there's anything to consult on, it's more a statement to say the price control has to be able to enable us to carry out our business in an appropriately safe manner." **(Industry)**

WHAT SHOULD YOU TALK TO STAKEHOLDERS ABOUT?

“There’s an economic constraint in terms of being able to manage outages on the network ... about how much investment is required in relation to having the right network there for a change in generation mix.” (Industry)

Reliability

“It’s security of supply that’s an extremely important issue and has often been overlooked in the drive to reduce the carbon dioxide and decarbonise the electricity supply. Security of supply, particularly in the current world with gas supply, gas prices, etc. going in the direction that they are is very, very important.” (Public Affairs)

This goes to the heart of National Grid’s role:

For some customers, this is about the reliability of the network itself – in terms of blackouts, etc

- Clearly possible to trade-off against price

There is a broader ‘energy security’ issue linked to connecting new sources of energy to the network

- Overlaps with environmental concerns regarding connection of renewables

WHAT SHOULD YOU TALK TO STAKEHOLDERS ABOUT?

“The thing is that National Grid’s activity often impacts negatively on land – which in turn impacts on land values. Even when the investment hasn’t actually happened yet, the land is affected in terms of landowners’ interests.”
(Interest Group)

“We do want to see the UK’s emissions reductions targets achieved ... but we will object when it’s wrongly sited ... so if you like there are the twin issues of delivering low carbon energy, but also protecting wildlife sites.”
(Interest Group)

Reliability

Environment

Environmental issues cut across a broad range of issues:

For customers and industry, the main issues are CO2 and connection of new sources of energy to the grid

But for interest groups, the impact of infrastructure on the **physical environment** is just as likely to be raised (eg on wildlife, property values, landscape)

These concerns are often local and may be difficult to accommodate in a national consultation

WHAT SHOULD YOU TALK TO STAKEHOLDERS ABOUT?

Primarily an issue for customers

But this is not just about **speed** - it's a wider **project management** issue - the 'connection service' offered by National Grid

– Including how you engage with the customer about their specific project needs, etc.

Connecting
customers

"It isn't just about speed ... it also might be about ... how easy was the company to access, did you get good information, were you kept up to date?" (Industry)

"I think speed is important but it's, again, from our own point of view, it's the cost which ourselves as a future generator is going to have to bear... so it's not just for speed, it needs to be affordable from our point of view." (Industry)

WHAT SHOULD YOU TALK TO STAKEHOLDERS ABOUT?

“I think strategic network investment, this idea of investing ahead of user commitment or absolutely identified need, this is the idea that the network’s there before the people are that want to use it, but it’s there to facilitate those that will and ultimately intend to use it.”

(Industry)

“Ofgem says we shouldn’t gold plate the system so we shouldn’t pay more for wires than we actually need ... I would disagree with Ofgem and be on National Grid’s side because I don’t think you can have effective competition in generation unless you have spare capacity.”

This is vital for many of your customers and industry partners, but not understood by the less engaged

For industry stakeholders ‘market facilitation’ is associated with:

- Developing competition by providing investment in spare capacity
- Creating markets for new entrants particularly in the context of renewables, ahead of pinned down customer demand

Stakeholders feel that National Grid’s approach to market facilitation is very cautious and Ofgem-dependent – especially where demand is not guaranteed

General stakeholder support for transparency and information

**Market
facilitation**

“I don’t know what market facilitation means. Are they talking about just getting electricity around the country?”

(Interest Group)

WHAT SHOULD YOU TALK TO STAKEHOLDERS ABOUT?

“To be honest, [customer satisfaction is about] the safety, reliability and security of supply and the market arrangements.” (Industry)

Safety

Reliability

“I think customer satisfaction comes from successful delivery of the others.” (Industry)

Customer satisfaction is felt to be a catch-all

Each of the other themes can contribute to customer satisfaction

It is hard for National Grid to dial this up or down in isolation from the other themes

It is difficult for non-customers to engage with ‘customer satisfaction’ in such a technical marketplace

Customer satisfaction

RECOMMENDATIONS

RECOMMENDATIONS: ALL STAKEHOLDERS

Pre-Consultation Findings

▪ Stakeholders feel uncertain about the value of their involvement

- Customers and industry partners feel that Ofgem dictates the shape and substance of the consultation and decides its relevance
- Non-industry stakeholders are uncertain how far their input will be listened to

▪ Engagement with price controls improves when the discussion is focussed on specific future investment decisions

- Themes became more tangible in the context of trade-offs

▪ There is a huge knowledge and familiarity gap between those who are engaged with the industry and those who are not

- Customers and industry stakeholders have a much stronger sense of how price controls affect their interests

Implications for Main Consultation

▪ Offer clarity about the impact of the consultation

- Set out clearly what is 'off the table' and say why
- Be clear about what can be changed and offer a range of realistic options

▪ Set out how you will listen, and feed back to say what you've heard

- Be clear when you are taking something forward, and equally clear when you're not

▪ Ensure the discussion is about options for future investment

- Offer stakeholders potential cost-scenarios
- Focus on trade-offs between themes
- Make the case for the options you offer

▪ A 'two track' consultation:

- Provide customers and industry partners with opportunities to engage at a detailed, technical level
- Provide non-industry stakeholders with approaches that engage with *their* issues

RECOMMENDATIONS: CUSTOMERS & INDUSTRY PARTNERS

Pre-Consultation Findings

- **Customers and industry partners expect to be consulted in the traditional, detailed way**



- **Customers and industry partners will engage with the themes that you offer**
 - They are looking for you to highlight your priority issues and to provide options and scenarios



Implications for Main Consultation

- **A detailed consultation document**
 - Well structured and easy to navigate
- **Supporting information online**
- **Opportunities for face-to-face engagement**
 - Discussion sessions where the proceedings are captured and conclusions fed-back to participants
 - One-to-one meetings
- **Themes should be clearly related to future investment**
 - Provide costed options and show the trade-offs
 - Allow industry stakeholders to engage with the detail
 - Be clear about what can be changed within each theme, and say why other elements are 'off the table'

RECOMMENDATIONS: NON-INDUSTRY STAKEHOLDERS

Pre-Consultation Findings

- Non industry stakeholders are not currently engaged with transmission price controls
- Among non-industry stakeholders, understanding of transmission price controls (and even wider industry issues) is very limited
- Non-industry stakeholders lack the time, resources or expertise to offer a 'full' response to a consultation exercise done in the traditional way

Implications for Main Consultation

- National Grid's approach must make clear the implications of TPCR5 for *their* interests
 - Show non-industry stakeholders that you are actively seeking their perspectives
 - Show that non-technical input can be influential
- Non-industry consultation approaches should develop stakeholders' knowledge
 - Clarify the implications of price review for *their* interests
 - Show the trade-offs, policy ramifications and wider, long-term consequences
- Non-industry consultation should offer multiple avenues for engagement:
 - Consultation events themed around *their* issues
 - Tailored documents and web content
 - Opportunities to provide short, non-technical responses
 - Opportunities to submit consortia responses

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