nationalgrid

RIIO-T3

Stakeholder Engagement & Decision Log

National Grid Electricity Transmission's Business Plan

December 2024

BUSINESS PLAN SECTION: 2. INFRASTRUCTURE FIT FOR A LOW-COST TRANSITION TO NET ZERO.

POLICY AREA: Designing and developing a stakeholder centric grid of tomorrow.

Understanding our stakeholders' expectations and needs has been pivotal to forming the regional, site and circuit strategies that will deliver the required future Transmission Network. Their needs and priorities are at the heart of our overarching ambition and future network design principles. Our approach has been to understand the effect that the energy transition will have on stakeholders so that this is reflected in our network design. We've considered two important perspectives:

1. Those directly impacted by the approach and timing of the network upgrade (industry partners and customers, regional communities, other sectors)
2. Those who ultimately fund the work (all consumers).

TYPE OF ENGAGEMENT UNDERTAKEN: Our Future Network Design Engagement programme commenced in Summer 2022 and will continue through the RIIO-T3 period as our plans are refined. To date we have engaged through multiple channels:

(i) In-person bespoke workshops (either stakeholder-specific or topic-specific) (Mar 2023 – to date)

(ii) Broad interest, multi-topic webinars (Feb 2023, May 2024, Nov 2024)

(iii) Qualitative and quantitative Market Research by expert teams at Yonder Consulting, Mintel Consulting and Sustainability First, including day-long facilitated consumer focus groups in Cardiff, Manchester, and Glasgow (Aug 2022 - Aug 2024), triangulated with over 150 published studies collated on our behalf by Sustainability First, such as the BMG Research/DESNZ Community Benefits for Electricity Transmission Network Infrastructure research (Mar 2024)

(iv) 'Pathway to net zero' hybrid regional workshops in Exeter, Cardiff, London, Leeds, Cambridge, and Manchester, facilitated and recorded by EQ Communications (Sep-Oct 2023) co-hosted for the first time with our industry partners, DNOs and NESO.

(v) Regionally focused forums and stakeholder-led workshops, led by our industry partners (to limit engagement fatigue). (Aug 2024 - ongoing)

STAKEHOLDER GROUPS : To date we have listened to and tested our network plans with more than 12,000 stakeholders, representing our core stakeholder groups, reaching over:

- 9,000 household consumers representing all regions across Scotland, England, Wales, all income and age groups, ethnicities, and life stages.
- 1,100 small business consumers based on the size of their employee base, turnover and region.
- 1,800 external* stakeholders impacted (referred to as 'Impacted Stakeholders' in the section below) by the timing and design of the upgrade representing the energy Industry: Generation, storage, TOs, DNO/DSO/iDNOs, ESO, GT/GDNs, heat (a segment with low initial representation but now growing), supply chain, and those with a planning and/or strategy role in organisations within Regional Partners/other sectors/ major consumers such as local authorities, education, transport (infrastructure, hubs, fleets), emergency services, national infrastructure, landowners, building/housing, farming, other utilities.(* in addition to National Grid employees)
- 106 senior representative voices across all stakeholder categories including central and devolved Government, NGOs and think tanks (in '22 and '24)

In addition, we engaged with over 23,300 members of local communities at our consultations relating to our ASTI portfolio.

SUMMARY FEEDBACK: Our stakeholders have many needs and priorities in common. However, one of the biggest trade-offs remains between consumers who fund the network upgrade and encourage the industry to 'get on with it' (Ref: Market Research Yonder Consulting and Sustainability First) whilst ensuring those in vulnerable situations are protected throughout, and the much smaller number (Ref: Market Research BMG Research – Community benefits study), who do not want the works in their local area. Our investment plan incorporates the priority outcomes of the majority of consumers, our industry partners and peers and other sectors that need to meet their own net zero targets, whilst we continue to engage respectfully and transparently with communities that host our infrastructure. The stakeholder priority outcomes aggregate into the following themes:

"Maintain a reliable system"

- The reliability of our network remains consistently most important to all our stakeholders, from industry to consumers.

"Deliver the capacity needed today"

- Across all our research sources, most consumers feel the upgrade to a cleaner network is important. This opinion strengthens when they are further informed about the pros and cons of the transition including how it could impact their energy bills over time.
- We have had strong feedback from business-as-usual engagement and bespoke engagement for the business plan that this is a priority area for action. It was the most unprompted discussion topic at our regional 'Pathway to Net Zero' hybrid workshops (616 attendees), with 79% stating they had already been negatively impacted in a poll (base 267).

“Build fit for the future”

- Our research shows that household and business consumers prioritise minimising costs in the long-term and this is valid across all socio-demographic groups.
- Most household consumers, (across all income groups), small and large business consumers, and impacted stakeholders support developing the network for future needs. Those who are less supportive cite affordability as a key reason.

“Protect Nature”

- The protection of nature and the environment around where the upgrade works take place featured in stakeholders’ top 4 priority energy transition outcomes.
- Household consumers also told us that we should reduce our own greenhouse gas emissions.

“Support local communities.”

- Both our own and 3rd party studies emphasise the importance of minimising the local impact of this work and investing in things that matter to local people.

“Look after those in vulnerable situations”.

- Although most consumers want upgrades to the grid to move faster, many stress the need to look after those who cannot afford to pay more.
- In terms of how we should focus benefits on impacted communities, consumers prioritised members of the community in long-term vulnerable situations (e.g., those eligible for the Priority Services Register, who have extra communication, access, or safety needs), closely followed by those affected by deprivation (foodbank users etc).

“Step up to the challenge”

- Senior stakeholders cited the need for dynamic, flexible innovations across all aspects of the net zero transition, commitment to building capacity required, proactive leadership on key issues and a collaborative and transparent approach to long term planning.

IMPACT ON BUSINESS PLAN: We created 3 ambitions containing stakeholder centric ‘design principles’, that formed the foundation to our overall investment decisions and to use in our initial assessment of our network design and subsequent RIIO-T3 investment case. **1. Deliver the grid of tomorrow, 2. Do the right thing for consumers, communities, and the environment,** and **3. Transform to make it happen** - These principles and ambitions underpin the 51 commitments we make throughout our plan. They have guided the development of strategies for 8 regions, identifying key site and circuit major project upgrades to be delivered during the RIIO-T3 period. The stakeholder led ‘principles’ have been part of our optioneering assessment for each project. However, in a few cases local needs present a unique stronger case and a trade-off will be made. An example is the recent LOTI for Margam substation. There is significant uncertainty regarding the future needs of the transmission network in South Wales, particularly the potential uprating from 275kV to 400kV, which would require substantial RIIO-T3 investment and phased project implementation over several decades. Our decision to rebuild Margam and electrify the Port Talbot steelworks offers an accelerated solution, prioritizing immediate needs such as high volume local employment over longer-term, currently unknown capacity requirements.

BUSINESS PLAN SECTION: 3. SECURE AND RESILIENT SUPPLIES

POLICY AREA: Stakeholder engagement has inspired and informed our Climate Resilience activity.
Historically climate resilience efforts have focused on flood mitigations, in particular, following the significant flooding experienced in 2007 and the subsequent Pitt report in 2008 which has driven a focus on investment to mitigate the worst potential flooding impacts. In recent years, and especially into RIIO-T3 as our flooding investments conclude, we are now focusing beyond reactive activities and investments in the existing estate, and are now working to embed a more proactive, holistic, and forward-looking approach.

TYPE OF ENGAGEMENT UNDERTAKEN: Our climate resilience engagement has spanned from co-creation to thought leadership. Since RIIO-T1, particularly the 2007 flooding events, we have worked closely with a range of stakeholders to ensure we have been making adequate investments. This has included collaboration workshops to assess climate risk at transmission voltage level, forming a working group with industry partners to coordinate climate change-related publications. After Storm Arwen and Storm Ciaran, we held network resilience feedback sessions with the Emergency Planning Managers' Forum (EPMF) and other Energy Networks Association (ENA) industry forums. We have undertaken a range of innovation projects on climate resilience where we co-created new solutions with our industry partners that will inform our approach in RIIO-T3. We have actively shared initial findings and outcomes of these projects through dissemination events across the industry, including RIIO-T3 working groups with Ofgem and other networks.

STAKEHOLDER GROUPS: The far-reaching impacts of climate resilience, and the need for industry co-ordination to ensure resilience, meant our engagement had to reach across and beyond the energy sector. We have directly collaborated with: The ENA, DNOs, TOs, academia, DESNZ, NESO, generators, suppliers, and gas network operators. We held regular engagements with Energy Emergencies Executive Committee (E3C) and its subcommittee the Electricity Task Group (ETG) as well as the Environment Agency. We work collaboratively with local resilience forums, such as the London Resilience Forum, to proactively plan and test approaches across all critical providers to maintain resilience in critical conurbations.

SUMMARY FEEDBACK: Society needs climate resilience to endure now and into the future, especially as the value of electricity will increase through electrification.

1. There are varying levels of maturity across climate science and the understanding of the impact of climate change on our assets. We therefore need to consider different approaches to different types of hazards determining the actions we take to mitigate against it.
2. Climate resilience needs to consider 'whole system' requirements to ensure the electricity and energy networks remain resilience end-to-end.
3. The role of NESO is evolving and needs to be considered in understanding broader resilience threats and how these are managed across the sector.

IMPACT ON BUSINESS PLAN: The learning from stakeholder engagement has shaped our RIIO-T3 investment plan in 3 core ways. We a) ensured that our RIIO-T3 Business Plan roadmap invests deeply in security of supply through our physical network, b) ensured that climate resilience innovation strategy drives long term cost reduction for consumers and c) ensured that we continue to develop adaptation pathways that meet long term strategic objectives.

Different approaches to different hazards – our climate resilience commitments in our RIIO-T3 baseline plan:

- We will continue to deliver activities that ensure network resilience including vegetation management, management of flood defences and investment in our operational and non-operational property estate to ensure effective heating, cooling, and ventilation.
- Our innovation programme in RIIO-T2, and proposed innovation funding in RIIO-T3, will support us in exploring those climate hazards at a lower level of maturity and inform future investment plans. A key focus for us is coastal erosion risk, given the extensive development of new assets in coastal locations.

Underpinned through a) our Strategic Workforce Plan which includes a maintenance and expansion of our climate change capability to ensure we can effectively support the organisation to deliver climate resilience on an ongoing basis. This includes ensuring our engineering standards, that set the types of equipment we use for capital investment, remain fit for purpose; b) our IT and Digital Programmes which in RIIO-T3 include additional work to develop better tooling and capability to support both ongoing climate resilience and management as well as our future investment plans.

Whole system considerations and the role of NESO – Climate resilience commitments not in our RIIO-T3 Baseline plan: - We are expecting to use the Resilience Re-opener proposed to make any further investment required to support additional whole system or NESO driven investments, which is aligned with SSMD.

BUSINESS PLAN SECTION: 4. HIGH QUALITY OF SERVICE FROM REGULATED FIRMS

POLICY AREA: Stakeholder needs and expectations helped us to refresh our innovation strategy and RIIO-T3 innovation business plan.

TYPE OF ENGAGEMENT UNDERTAKEN: We have gathered stakeholder input through a variety of routes. We have listened to stakeholder priorities (ref: 'Type of Engagement' in chapter 1 of this annexe) We attended energy industry and non-industry forums, summits, and workshops throughout 2023 and 2024, and held bespoke innovation-focused webinars in summer 2024.

STAKEHOLDER GROUPS: We have engaged across a diverse range of stakeholders to shape our strategy: We listened to the priorities of stakeholders who attended our regional hybrid workshops, and consumers via our Market Research (ref Stakeholder Groups in chapter 1 of this annex). We worked with industry partners via the ENA and Energy Innovation Centre (EIC), in heat as well as power, and invited >1000 to our bespoke innovation-focused webinars. A broad base of stakeholders was represented from technology, networks (electricity / gas), consultancy / advisory, academia / research, Government / regulation, industry association / non-profit, supplier, service / aggregators, community energy, telecoms / data, and asset owners to test our approach. 87 attended – (26 % energy networks/ supply chain; 13 % Innovation experts/start-ups; 11 % technology; 9 % communications; 15 % manufacturers; 15 % academia/catapults; 7 % councils.)

SUMMARY FEEDBACK: Overall, feedback highlighted our strategy covers the right focus areas. We asked stakeholders if they agreed with our four innovation focus areas for RIIO-T3: Build the Future Network, Accelerate Customer Connections, Enhance Sustainability, and Improve Resilience. 55 stakeholders voted, and support ranged from 92% to 100% with 8% voting neutral. There was a preference for potential added focus areas which included: future workforce; supply chain; offshore infrastructure; society and community innovation (i.e., to smooth the process of building new infrastructure) and local area energy plans. We asked if we should spend more, less or about the same on NIA innovation funding within RIIO-T3, against a baseline of our RIIO-T2 forecasted spend of £68.2m. 93% of stakeholders stated we should spend more, 7% voted we should spend about the same, and 0% voted that we should spend less. We asked whether there were any best practices we're missing for the 'how we'll innovate' section of our strategy. Participants suggested the following: (1) importance of skills and workforce availability to successfully implement new technologies at scale; (2) The use of AI and quantum computing for network innovation processes; (3) more methods for testing new asset innovations.

IMPACT ON BUSINESS PLAN: We adjusted our RIIO-T3 innovation strategy focus areas and approach using this feedback.

- Focus areas: We have now added supply chain in our focus areas. We are keeping offshore infrastructure due to its unprompted importance to these stakeholders. They now better reflect that we are including society and community innovation i.e., to smooth the process of building new infrastructure.
- Our strategy focus areas will not include future workforce as NIA funding criteria does not align to this; however, this area is receiving a great deal of focus in a broader context across NGET and NG enterprise.
- Although local area energy plans are important, ths is an area managed by NESO, that we will support, so we have not reflected this in our innovation work.

The use of AI and quantum computing for network innovation processes was too specific to include in our 'how we'll innovate' – AI is an enabler and a tool but not core to where we'll focus innovation. And in terms of more methods for testing new asset innovations - we already have our Deeside Centre for Innovation which is a key part of our strategy for testing new technology and SI are looking to also improve their capacity and ability to evaluate innovations.

BUSINESS PLAN SECTION: 5. SYSTEM EFFICIENCY AND LONG-TERM VALUE FOR MONEY

POLICY AREA: Customer and stakeholder needs, and current pain points, inspired a tailored suite of digital and data solutions that will be designed to provide easy access to our electricity network planning and connection management.

TYPE OF ENGAGEMENT UNDERTAKEN: These data and digital products were inspired by listening to customer and stakeholder discussions on planning for net zero as well as feedback relating to the connection application process. We listened through the engagements as detailed in i, ii, iv and v of 'Type of Engagement' in chapter 1 of this annex and from customer feedback provided through the Quality of Connection – Connection Application and lifecycle surveying from Apr '21 to date.

STAKEHOLDER GROUPS: We listened to a range of stakeholders impacted by the network upgrade and its timing. We have listened to impacted stakeholders (ref: 'Stakeholder groups in chapter 1 of this annex) in particular industry partners and peers, regulatory, local government and parties interested in connecting or who are already in the connections pipeline and are all impacted by or involved in UKBP/TP500 (our core transmission process). We listened to employees directly involved in the connection's application process and network design. We analysed over 800 survey responses received from connecting customers, covering all generation technologies who passed through our Quality of Connections surveying process.

SUMMARY FEEDBACK: This highlighted a need to access, align and interact with our network development data and plans from their business/region's perspective. We received over 5300 recorded comments from our hybrid workshops where attendees consistently cited connections timing, greater transparency, genuine collaboration/whole system thinking to planning alignment and increased engagement as biggest areas of need. 59% of polled stakeholder groups (base size 616, poll base >250) don't know who to talk to across industry regarding their own net zero plans, and as such cannot see how plans are affecting them. 64% know what they want to do regarding their own business planning, but have nowhere to sense check these plans, 72% cited communication, information access, data, simplification as key to making the planning process more transparent for them. Feedback from our Quality of Connections surveys (base: 800) highlights that our connecting customers have consistently rated us below our minimum target level for satisfaction along the UKBP/TP500 key touchpoints - 7.2 out of 10 in 2023- 2024 - 0.5 below threshold. The most prevalent causes of low scores have been in relation to communication, transparency of what is happening, application timing expectations, and unclear processes.

IMPACT ON BUSINESS PLAN: We have proposed a dedicated digital and data group of products in our RIIO-T3 Business Plan that focuses on supporting the customer and stakeholder experience through regional network planning and related connection applications in direct response to this feedback.
To accommodate the needs surrounding connections timing, greater transparency, genuine collaboration/whole system thinking to planning alignment, the 'Experience Management (XM)' digital product group includes:

1. An enhanced NGET website with interactive network visualisation, aimed at enabling industry and regional stakeholders to self-serve information relating to both the current network and its future developments, with high quality bespoke data available to inform their own external planning and engagement.
2. A consistent experience no matter what channel they interact with NGET through, because each stakeholder will be recognised, and preferences remembered.
3. The provision of prompt updates on customer and stakeholder projects or areas of interest through use of chatbots.
4. Identification and proactive reach-outs to potential new customer groups seeking to electrify for net zero.
5. The end-to-end workflow management of any core process with external parties enabling Regional Energy Strategy Planning collaboration.
6. Bespoke engagement and communication based on dynamic (continual learning) customer and stakeholder segmentation and targeting.