

5



Enhanced engagement

This chapter describes the framework and approach that we have used to gather insight from our customers, stakeholders, benchmarks, employees and other sources. We explain the role played by our CEG and how we will make enhanced engagement a business as usual activity.

This chapter has the following structure:

- 5.1 We have enhanced our engagement with customers and other stakeholders
- 5.2 We have engaged with customers and stakeholders on an unprecedented scale
- 5.3 Our enhanced engagement programme has followed a six-phase process
- 5.4 We have embraced a framework that recognises a hierarchy of needs
- 5.5 We have sought insight on present and future, conscious and unconscious customers' needs
- 5.6 We have used segmentation and a regional approach to ensure all customers and stakeholders have been heard
- 5.7 Triangulating the results of our research and engagement programme
- 5.8 Our engagement incorporates best practice and learning from multiple industries
- 5.9 We applied several layers of assurance over our enhanced engagement programme
- 5.10 Our Plan has evolved as we have continued to engage
- 5.11 We have been innovative in our approaches to engagement
- 5.12 We ensured that our Plan has been tested with current and future customers
- 5.13 We have had effective challenge from our CEG and the RIIO-2 Challenge Group ('R2CG')
- 5.14 The challenge from our CEG is not only influencing our Plan, but also our business operation today
- 5.15 We have noted some divergent views between ourselves and the CEG
- 5.16 The R2CG has provided feedback throughout the process that we have responded to
- 5.17 We have made a long-term commitment to enhanced engagement
- 5.18 Measuring the added value and costs of ongoing engagement

Key messages

- Engagement sits at the heart of our strategy to deliver our vision.
- We have engaged with over 30,000 customers across 33 segments using over 50 engagement techniques.
- We have embraced a framework that recognises a hierarchy of needs.
- We have sought insight on customer needs, present and future, conscious and unconscious, as well as insight from stakeholders and experts in the areas of our propositions.
- We have followed an 'innovative' six-phase process, recognising the unique and diverse nature of our customer and stakeholder base.
- Our engagement incorporates best practice and learning from multiple industries.
- Our Business Plan commitments have been shaped and revised based on the feedback from our engagement programme.
- We have had effective challenge from our CEG and as a result we have modified our approach.
- Our plan has been substantially shaped by the results of our engagement with changes noted from July to October and again from October to December.
- We have made a long-term commitment to enhanced engagement.

Enhanced engagement

5.1 We have enhanced our engagement with customers and other stakeholders

From our Board, right through to the frontline of our organisation, the strategic importance of high quality engagement with our customers and stakeholders is fundamental to reaching the ambitious nature of our vision.

We talk about setting standards that all of our customers love, but we can only do this if we know what these standards are. Part of our engagement strategy is to devise the right questions to ask, the right approaches to follow and the right audiences to involve, to gain the rich insight needed to confidently identify these standards.

Our Board recognises the strategic importance of effective engagement. It is critical to the long-term commercial success of the business, not only for the reasons described above, but also because our long-term success requires us to influence the behaviours of others. Examples where wider behavioural change is required include our role in defining the future role for gas, supporting the transition to a more sustainable source of heat, as well as in changing mindsets across the industry and of gas consumers, such that we can meet our ambition of never leaving a customer without gas.

We are now a standalone gas distribution business, with new ownership and brand identity. We have the opportunity to significantly transform into a truly customer-centric organisation, where engagement is paramount. We've made several significant steps towards this over the last 18 months; we have appointed our Director of Customer Strategy, raising the profile of our customer engagement strategy at an executive level, and our business transformation programme will geographically align operating model to support a regionally delivered engagement approach, tailored to the needs of each of our networks.

In addition, insights from engagement directly underpin the performance management regime across the organisation and we have invested heavily in our data and technology platforms to improve the quality and quantity of insights received as well as our ability to analyse, interpret and act on these insights.

Our Stakeholder Engagement Strategy has been updated to reflect our new company vision, the strategic direction of the business and our RIIO-2 Plan commitments. The feedback from our 2018/19 Stakeholder Engagement Incentive Submission identified significant improvements on our approach in previous years. The strategic presence of engagement across each layer of the business was noted, along with our regionally aligned delivery model, backed up by a rich data-led analytical capability. Our Stakeholder Engagement Strategy builds on these strengths, along with actions to address the feedback that our Customer Engagement Group has provided, such as how we engage with expert stakeholders to truly embed the importance of high quality engagement across the whole organisation. Our strategy document is contained in **Appendix 05.01**.

5.2 We have engaged with customers and stakeholders on an unprecedented scale

In total, our enhanced engagement programme has included over 180 separate engagement events, using over 100 different engagement activities, involving direct discussions with over 30,000 customers and stakeholders spanning 33 segments or groups.

Figure 05.01: Our Engagement Highlights



5.3 Our enhanced engagement programme has followed a six-phase process

Our process was based on six phases of customer and stakeholder engagement. It combines these with multiple layers of benchmarking with other organisations and industries, and additional research to capture political, societal, economic and regulatory trends that directly influence the development of our Business Plan.

The process was fully joined up with the business as usual work undertaken by our Customer Insights team. This has helped ensure that additional insights gained through the RIIO-2 engagement work were captured and acted on now (where appropriate), rather than waiting for the next regulatory cycle to start. Our engagement process is depicted in Figure 05.02 and a detailed description of this provided in **Appendix 05.02**.

Enhanced engagement continued

Figure 05.02: Our Enhanced Engagement Process

Phase	Engagement Inputs	Segmentation*	Engagement Delivery	Engagement Outputs	Assurance
PHASE 1: BUSINESS AS USUAL INSIGHT	<ul style="list-style-type: none"> 20k C-Sat returns 60k SMS feedback surveys 26k complaints 2k social media feeds 133k customer enquiries 500k emergency calls 200 connections surveys with business and bio customers 20k post-work completion surveys Engineer feedback from over 2,000 customer site visits Strategic partner feedback from over 2,000 additional customer site visits 		<p>Taking the last 3 years' worth of insights from customers and stakeholders in relation to our daily operations, we were able to identify trends between customer segments, activities, circumstances and satisfaction levels.</p>	<ul style="list-style-type: none"> Initial view of customer priorities Overview of perceived strengths Overview of perceived weaknesses Development of three customer outcome areas: <ol style="list-style-type: none"> Delivering a resilient network to keep the energy flowing safely and reliably Providing a quality experience to all of our customers, stakeholders and communities Tackling climate change and improving the environment 	<p>Design of early engagement undertaken with EQ and Sia Partners</p>
PHASE 2: DISCOVERY	<ul style="list-style-type: none"> Regional workshops with 120 stakeholders Regional interviews with 21 expert stakeholders (e.g. Citizens Advice, Sustainability First, Green Alliance) Customer deliberative workshops with 200 customers Focus Groups with 60 hard-to-reach customers Domestic customer survey with 2,300 customers split regionally 11 interviews with professionals representing CIVS Face-to-face interviews with 13 CIVS GDN collaboration: interviews with 21 national stakeholders and customers GDN decarbonisation workshop with 72 experts Workshop with 220 customers re. Willingness-to-Pay potential Facebook-run public survey response 4 x fuel-poor focus group workshops – 32 fuel-poor customers involved Regional customer forums with 200 customers Business interviews with industry and commerce, and S/M/L businesses 50 stakeholder interviews with councils, LEAPs, MPs, environmental experts, customer experts Online community with over 30 participants Employee engagement with over 800 employees from all departments in the business and representing all levels of the organisation 		<p>We designed a structured engagement programme to develop a more detailed understanding of the priorities that sit within each of the three customer outcome areas identified in Phase 1. We undertook comprehensive segmentation analysis to ensure that we gained a wide ranging views from all of our customer and stakeholder segments.</p>	<ul style="list-style-type: none"> Identification of a fourth outcome area: Trusted to act for our communities Input to inform 17 key customer and stakeholder priority areas that sit below the four outcome areas 	<p>Input from Savanta and BrandWalk. Introduced Hierarchy of Needs Framework and assurance over sampling and segmentation</p>
PHASE 3: TARGETED ENGAGEMENT	<ul style="list-style-type: none"> Desktop research on current services New services research through customer forums focusing on fuel poverty, customer vulnerability, CO awareness, interruptions, disruption, reinstatement, resilience and safety and GSOPs with over 1,200 customers, experts and stakeholders Webinars on obligated reinstatement, long term planning, whole system thinking and CO neutrality Pop-up communities on carbon neutrality, waste, our employees and the environment, air quality measures, Face-to-face expert meetings regarding off grid communities, the future role of gas and demand-side responses 		<p>We developed a more targeted engagement programme around each of the priorities that we identified from the discovery engagement phase. The intention was to explore each priority with the relevant segments of our customer and stakeholder base to identify the themes that sat below the priorities, to allow us to propose output commitments in our July draft plan.</p> <p>We focused on different areas with different segments, bridging gaps identified from previous engagement and considering which segments benefit from each commitment being tested.</p>	<ul style="list-style-type: none"> A more comprehensive understanding of the measures and deliverables that customers and stakeholders expect, that sit below each of the priority areas. The use of our hierarchy of needs engagement framework allowed us to ascertain this for different segments/types of customer and stakeholders. We identified c.45 output commitments, some of which were further tested in Phase 4 – willingness-to-pay 	<p>Input from Savanta and BrandWalk. Introduced Hierarchy of Needs Framework and assurance over sampling and segmentation</p>

*Segments coloured green were engaged with during this phase

Phase	Engagement Inputs	Segmentation*	Engagement Delivery	Engagement Outputs	Assurance
PHASE 4: WILLINGNESS-TO-PAY	<ul style="list-style-type: none"> Stated preference cognitive groups with 20 customers Stated preference cognitive interviews with 15 customers Stated preference survey pilot with 307 customers and stakeholders Stated preference survey (online and F2F) with 2,000 domestic and 1,000 business customers Revealed preference focus group with 40 customers Revealed preference surveys with 800 customers and stakeholders Network Extension study – focus on experience of customers in interruptions Benefits transfer – desktop exercise 		<p>We worked with a willingness-to-pay research expert to organisation, NERA, to develop a programme of customer testing based on stated preference, revealed preference and benefits transfer analysis, that was ultimately triangulated to inform the values that customers placed on certain output commitments that had been identified in Phase 3.</p>	<ul style="list-style-type: none"> A view of the costs that customers were willing to pay for a number of the output commitments identified through the previous three phases of engagement After this phase we were able to develop an initial view of our business plan commitments to build into our draft July Plan. 	<p>Independent assessment and assurance provided by WTP expert Professor Ken Willis of Newcastle University</p>
PHASE 5: BUSINESS OPTIONS TESTING	<ul style="list-style-type: none"> Quantitative survey with 2,500 domestic and business customers to test options in the July plan 4 x customer forums with 300 customers 2 x fuel-poor workshops to test options in this area – with 80 customers living in fuel poverty Employee workshop to test options with 100 employees 3 x business customer workshops to test optioneering 2 x non-English language customer workshops 4 x future customer workshops 4 x CIVS and experts workshops Roundtable expert stakeholder discussions – with 6 parties including Citizens Advice, a gas supplier and a local authority In depth telephone interviews with customers on trust 4 x customer deliberative workshops on trust Regional workshops with customers, on executive pay and transparency 		<p>The output commitments developed in July were tested extensively through four main routes:</p> <ol style="list-style-type: none"> Qualitative and quantitative testing with customers and stakeholders, facilitated by Traverse – focusing on all outcome areas Online and pop-up community testing on environmental outputs working with Verve Quantitative research undertaken to explore options against all outcome areas through our Cadent Voices summer roadshow campaigns supported by Britain Thinks in relation to our commitments under the 'trusted to act for our communities' outcome area Qualitative and quantitative research supported by Britain Thinks in relation to our commitments under the 'trusted to act for our communities' outcome area <p>Where relevant we tested costed options to allow customers and stakeholders to understand the bill impact related to their preferences. Each engagement was targeted across the segments that receive the services related to the options being tested.</p>	<ul style="list-style-type: none"> An overall assessment of the output commitments and associated costs built into our July draft Business Plan Specific preferences from relevant (identified during planning phase of engagement) customer segments and stakeholders against a range of costed options The outputs of this phase of engagement were triangulated with other phases of engagement to determine a far more informed set of commitments in the October draft Business plan This reduced the total cost of commitments by c.£30m, changing 17 commitments, adding three new ones and removing four (from the July version) 	<p>Approach co-created with research specialists Savanta and partners Britain Thinks, Traverse and Verve</p>
PHASE 6: ACCEPTABILITY TESTING	<ul style="list-style-type: none"> Cognitive testing quantitative survey with 100 customers Customer survey with 4000 customers Business survey with 500 customers 4 x uninformed domestic focus group with 64 customers 2 x future customers focus group with 16 customers 2 x CIVS focus groups with 16 customers 4 x fuel-poor focus groups with 50 customers 4 x customer forums with 120 customers 50 x business interviews 		<p>We tested our plan with customers and stakeholders to assess the acceptability of our overall business plan in terms of its content/quality and its affordability.</p>	<ul style="list-style-type: none"> A fully tested plan in its entirety based on an assessment of quality and affordability. Total acceptability from both domestic and business customers was over 83% and unacceptability less than 2%. We weighted our quantitative results higher than our qualitative results due to the scale of engagement although both sets of results were extremely similar. 	<p>Engagement programme assurance provided by Savanta and Engagement completeness by Sia Partners</p>

*Segments coloured green were engaged with during this phase

Enhanced engagement continued

5.4 We have embraced a framework that recognises a hierarchy of needs

The framework has been chosen because it is consistent with our vision. Our vision is to set standards that all of our customers love, and the framework is built around the simple concept that not all customer needs are equal. For example, it is not possible to ask customers to simply choose between: safety, or the resilience of future gas supply, or supporting customers in vulnerable circumstances, or issues about environment improvement.

These issues can all be important to the same customer and stakeholder, but they are very clearly different in kind. The understanding that not all customer and stakeholder needs are equal sits at the heart of our research framework.

Our categorisation of customer needs has its roots in established psychological theory – Maslow’s hierarchy – drawing on three levels:

- delivering functional needs (core, basic services e.g. security of supply, regulatory obligations and safety);
- meeting psychological needs (customer service, customer engagement and empowerment); and
- creating opportunities for self-fulfilment (broader societal contribution).

Our view of the hierarchy, as it relates to gas infrastructure providers, is based on:

- targeted initial exploratory research to uncover the issues, priorities and needs that are important in people’s lives (including those not directly tied to issues of energy supply, so as to provide important broader context); and
- validation of the core themes through survey data, focus groups, a review of historical research (ours and published sources), engagement with our staff and an extensive range of stakeholders, as well as, and importantly, data from customer interactions (e.g. complaints and feedback received through social media).

By engaging in this manner and ascertaining the range of requirements at different levels of the hierarchy, have sought to understand what we must do and how we must operate in order to achieve our vision. We believe that if we can identify and satisfy the needs of our customers at each level of their hierarchy of needs (functional, psychological and fulfilment) then we can be confident that we are delivering the standards that all of our customers love. The following principles were applied when planning and undertaking our enhanced engagement process:

- the layers must be considered sequentially, starting at the bottom – if basic needs have not been met then those above are far less important;
- in separating out basic needs in particular, as these are largely ‘expected’ by customers, we have an opportunity to learn much more about how we can meet customers’ psychological and self-fulfilment needs, thereby improving overall customer satisfaction;
- we can still improve our understanding and delivery of basic needs and thereby reduce dissatisfaction.

5.5 We have sought insight on present and future, conscious and unconscious customers’ needs

Throughout the evidence gathering process we have sought to combine stated and revealed sources wherever possible. Our framework is built on an understanding that behaviours in this arena are often not conscious decisions and that increased knowledge often changes decision-making or customers’ views and priorities.

The complexity of the issues that need to be considered in order to provide a robust and reliable customer view means we need to consider that the further one goes into the future, the less customers are conscious of the important issues that might affect them, future generations, and their current and future gas supply.

Choices which customers are asked to evaluate and prioritise also meld with their contextual views on the importance of factors surrounding the environment and the potential impact on things such as biodiversity or sustainability. These are issues which people understand are about longer-term changes.

5.6 We have used segmentation and a regional approach to ensure all customers and stakeholders have been heard

We have kept our approach to segmentation under continuous review. We wanted to hear from a diverse and representative sample of the 11 million homes and businesses who pay for or are impacted by our decisions. We have sought to tailor our approach to engagement to the needs and circumstances of all of our stakeholder groups. To develop the sampling framework for domestic customers, we applied characteristics such as age, gender and ethnicity across the population of each of our networks.

We grouped our stakeholders into 12 categories and 33 sub-categories. In the early phases of engagement, it was important to engage widely across all of our segments to ensure that the priorities we built into our Business Plan were representative of all of our key stakeholder segments. As we began to target the engagement discussions (from Phase 3 onwards), we undertook lengthy planning exercises before every individual engagement to consider who we needed to engage with on which topic. This became even more detailed in the business options testing phase, especially when considering the expert stakeholders that it was important to engage with. The 12 stakeholder categories and 33 sub-categories are shown in the figure below and we break down the 12 stakeholder categories that we engaged with during each phase of engagement on the previous page.

Figure 05.03: Customer and stakeholder segmentation



We also engaged with expert stakeholders to inform our commitments. We identified the expert stakeholders in a number of ways. Firstly, the Cadent Engagement Team created their own list based on their general understanding of each of the output commitments in the Business Plan. Each output commitment was then tested by the subject matter experts across the organisation. Additionally, we sought the advice of our delivery partners and also acted on feedback and challenges provided by our CEG.

5.6.1 - Ensuring an inclusive approach to engagement

A key aspect of consideration in our approach to segmentation was how we ensured that our engagement approach was inclusive and accessible to all. For each of our regional workshops we ensured that meeting space including facilities to cater for various disabilities and we asked customers to confirm any special requirements prior to sessions so we could make any necessary arrangements. For specialist engagement events such as engaging with customers who did not speak English we involved translators and changed the materials that we used. We sought feedback after all events to seek ways to improve our events in the future, including any feedback relating to inclusivity or accessibility. These are hugely important factors in our consideration of our ongoing Stakeholder Engagement Strategy (**Appendix 05.01**).

When determining the segments to engage with on each engagement topic, we used the following four criteria:

Table 05.01: Segmentation Criteria

Criteria	Key Questions we Asked
The topic that we are engaging on/aims of engagement	What existing research already exists that we could use? We will not seek to engage with certain groups if this will not provide new/improved insight Who are the main users or interfacing organisations with a service? How wide-reaching is the topic area?
Levels of expertise, impact and interest in the subject matter	Who is/will be impacted by the topic of the engagement? Which time horizon are we engaging on? Are future customers equally important?
Regionality	Is regionality a factor? What level of localisation is required? How can we use our existing regional engagement routes to facilitate RIIO-2 plan engagement?
Influence	How much influence do individuals/groups have on the outcome being engaged on?

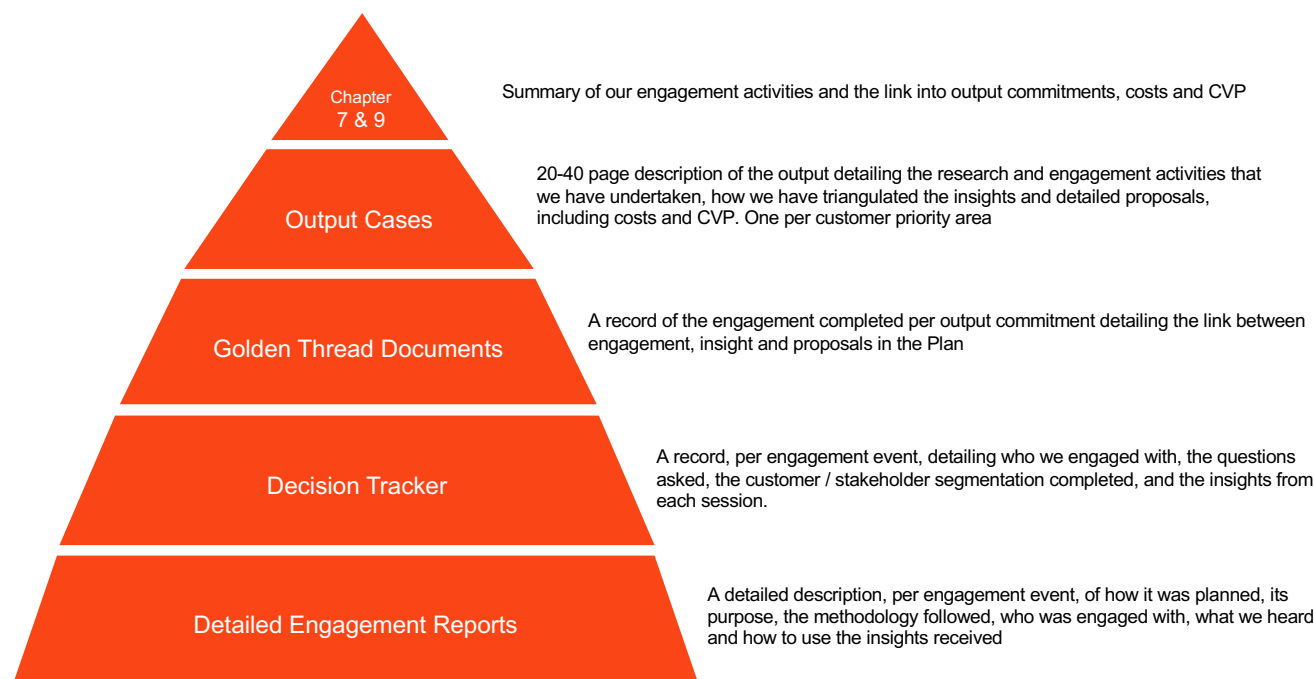
This multi-layered approach to identifying the necessary segments of our customer and stakeholder bases provided us with a high degree of confidence that our engagement model had excellent coverage. It also allowed us to then consider the methods by which we engaged with different segments. We describe our segmentation methodology further in our Stakeholder Engagement Strategy (**Appendix 05.01**).

Additionally, our Engagement Decision Tracker, **Appendix 05.03** contains a list of all of the engagement activities that we completed as part of our enhanced engagement programme, and the segments that we engaged with during these activities, the questions we asked and the insights we received. This document is where we show all of the engagement activities that we have undertaken in one place.

5.6.2 Our golden thread

Figure 05.04 describes the multiple layers of engagement evidence that we have captured in our plan which come together to form our golden thread. This chapter along with chapters 7 and 9 provides a high level summary of the process we followed and how this has informed our commitments. Our output cases describe this in far greater detail, linking the insights received directly to the proposals we have made. This gradually builds up into very detailed engagement event-specific reports. All documents have been provided as appendices to this plan with the exception of 'Golden Thread documents' and the 'Detailed Engagement Reports', because of their size, but these will be made available on request.

Figure 05.04: Capturing 'the golden thread'



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5.7 Triangulating the results of our research and engagement programme

Our approach to engagement has been iterative where each phase of engagement fed the next and we continued to build evidence and clarity in order to develop our plan, meant that we were continually building layer upon layer of insight and triangulating as we went. Whilst we had a separate engagement team, they worked hand in hand with business experts and those ultimately writing the business plan to ensure that all insights were considered, and the relative weighting/robustness of insights were taken into account when making decisions.

In most cases, as our engagement became more and more targeted it allowed us to determine specific measurements that are important to customers and stakeholders. However, in a small number of cases, the different layers of insights received were conflicting. In these cases, we had to develop an additional process to triangulate the data to determine how we would respond to the feedback. The business subject matter expert responsible for the output case determined where the additional triangulation process was required.

In total, seven of our output commitments saw conflicts between the views of different customer and stakeholder groups that required the additional triangulation step:

- CO Awareness.
- Tackling affordability and fuel poverty.
- Identifying your needs and joining up support services.
- Interruptions – getting our customers back on gas.
- Going beyond to strive to never leave a customer without gas.
- Supporting off grid communities.
- Becoming a carbon neutral business.

The conflicts differed by output commitment. For example, the main conflict in relation to the CO awareness output commitments was between customer and stakeholder expectations and our capability to deliver the desired levels of ambition. In the space of fuel poverty and PSR awareness, the main conflict is seen between customers' willingness-to-pay (which was lower than that implied by the ambition levels expected by different customer segments), specialists working in these fields (including charities) and many of the benchmarks being set by other organisations.

In each of these cases we followed a two-phase process to analyse each of the data feeds together to synthesise the feedback first on a bottom-up and then on a top-down basis. This process was developed in conjunction with NERA and Complete Strategy who both brought experience and best practice from numerous research programmes. We also asked Savanta to provide a level of independent assurance over the designed process, which they did, confirming that they believed the process to be both robust and a good fit for this specific need.

The bottom-up process considered majority responses, the robustness of each source of insight, whether there are particular groups that require additional attention and compared the insights to the proposals. The robustness analysis, which is described in the 'Assurance' section of this chapter below, applied weightings to certain types of engagement and stakeholder feedback. The top-down approach involved a full day workshop where the business subject matter experts presented the results of the research and engagement exercises to date and explained the conflict(s) identified through the synthesis of the data to the four RIIO-2 Programme Directors. The Directors weighed up the insights to determine the option that was ultimately tested in our Acceptability Testing phase of engagement. Three CEG members, a member of the PwC assurance team, members of our RIIO-2 Engagement team and a Senior Manager from Complete Strategy also attended the top-down triangulation session.

Figure 05.05: Our two phase approach to triangulation



In order to determine our ultimate output commitments we agreed weighting to be applied to the conflicting aspects of feedback. The relative weighting to insights was not always the same. Whilst in all cases, the results from deliberative workshops was afforded a higher weighting than that from quantitative research such as surveys, we also considered the nature of the output commitment. For example, those relating mainly to the service levels received by end customers were weighted more heavily based on the feedback that customers provided over other stakeholders or political framing. Whereas when considering the carbon neutrality conflict area, more weighting was applied to societal expectations, the views of expert stakeholders and government requirements. We established the weightings through discussions with each of the partners we have worked with to build our evidence base. We used their experience and our understanding of the business to determine the weightings used. The model below shows how the relative weightings were applied, though it is important to note that some discretion was applied in the final decision, especially where other factors required consideration, such as the Board and shareholder strategic agenda, our vision and strategic positioning and the organisation's ability to deliver.

The degree of black in each circle below represents the relative weighting applied and the 'political agenda' category includes aspects such as the UK's commitments on climate change and specific regulatory considerations.

Figure 05.06: Relative weighting of insight in triangulation

Outcome Area	Majority Customer Preference	Specific Customer Segments	Stakeholder /Expert	Benchmarks and Trends	Political Agenda
CO Awareness and Safety Provisions					
Fuel Poverty					
PSR Awareness					
Interruptions – getting our customers back on gas					
Going beyond to strive to never leave a customer vulnerable without gas					
Supporting off grid communities					
Becoming a carbon neutral business					

5.8 Our engagement incorporates best practice and learning from multiple industries

We developed our engagement process by working with multiple research and engagement specialist consultancies. **Appendix 05.04** provides a summary of the consultancy organisations that we have partnered with across our engagement programme.

Our Plan has been developed by combining the insights and feedback received from customer and stakeholder engagement with a comprehensive understanding of good practice elsewhere within our industry and beyond and research and studies developed either internally or by third parties.

Benchmarking has played a significant part in our enhanced engagement process. We benchmarked our engagement process and framework by co-creating it with organisations who are experts in research and engagement, such as Traverse, NERA and Britain Thinks.

We also took the opportunity to review the approach undertaken by water companies during the ongoing water industry price control review ('PR19'). We sought to identify best practice adopted by these organisations. For example, we developed our commitment to be 'trusted to act for our communities', because in our deliberative workshops customers and stakeholders expressed interest in who we were, how we could be more proactive about sharing this information, how we made money and how we spent money. We compared what we heard from customers with:

- engagement exercises undertaken by other organisations (including Severn Trent Water and Amazon who both have relatively well trusted brands);
- additional studies (including Sustainability First's Fair for the Future project); and
- we applied an external lens to consider societal, political, environmental and economic factors.

The third element of benchmarking came when we assessed our commitments and targets against those of other organisations inside and outside our industry. We commissioned Enzen to develop three separate benchmark reports, focusing on sustainability, safeguarding and how companies focus on trust. Additionally, we undertook our own benchmark studies via desktop studies and site visits. The benchmark exercises undertaken are summarised in individual Output Cases and also support our evaluation of our Consumer Value Proposition (CVP) see **Appendix 07.01.00**.

5.9 We applied several layers of assurance over our enhanced engagement programme

5.9.1 Co-creation of engagement plans with leading research and engagement partners

Before commencing with each phase of our engagement programme, we carefully considered who we would partner with to support its delivery by going through a robust procurement exercise. Once appointed, we undertook detailed planning sessions with each partner, using their experience and good practice guidelines to co-create how we would undertake each phase.

5.9.2 Independent assessment over the completeness of our evidence

We asked Sia Partners to undertake an exercise to assess the quality and robustness of the engagement activities undertaken after each phase of the engagement programme. This provided us with a clear understanding of where additional engagement was required or where certain segments of our customer and stakeholder base had not been sufficiently heard. Sia considered the following criteria in making their assessments:

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Figure 05.07: Robustness Assessment Criteria

Research & legislation	Studies and research, either by third parties or commissioned by Cadent, as well as UK legislation and acts.
BAU & historical information	Information on Cadent’s BAU activities and past performance.
Engagement methods	The variety of methods Cadent used to engage with their stakeholders and customers.
RIIO-2 specific engagement	Whether or not, and how many, RIIO-2 specific activities Cadent carried out related to the commitment.
Engagement coverage	The various customers and stakeholder groups that were engaged, as well as regional coverage.
Robustness & relevance of evidence	How robust a source is, and how relevant the feedback and insights are to each commitment.
Industry collaboration	Whether Cadent included industry collaboration for a commitment, as stated in Ofgem’s requirements.
Whole system solutions	Whether Cadent considered/engaged on whole system solutions, as prioritised by Ofgem.

Sia’s methodology followed four stages: analysing the content of output cases, categorising and converting into the eight criteria shown above, applying a weighting to each category, and finally calculating the overall completeness of the research and engagement activities completed to date.

The final assessment was made after Acceptability Testing was completed and demonstrates robust coverage across all of our outcome areas and output commitments – see **Appendix 05.05**.

5.9.3 We developed a consistent assessment of the quality of the engagement

The model described below was developed by Complete Strategy. It was used alongside the Sia model described above. Whilst Sia’s model is run periodically to provide an overall view of the completeness of our evidence, this model is used on an ongoing basis to inform decisions we make, feed into the triangulation approach and identify gaps that need filling. In this model we assessed each source of customer and stakeholder insight against three criteria to measure the overall ‘robustness’ of the information it contained:

- Was the information collected or updated recently (2017, 18, 19)? This is important since customer preferences and circumstances can change over time and we want to take account of this.
- Was the information collected using a sampling approach or similar method to ensure a representative group (e.g. across all Cadent’s regions)? This is important because we want to ensure all customer and stakeholder segments are heard, and that particular groups are not under-represented.
- Was the information collected for the express purpose of the question we want to answer for our Business Plan, or did we infer the answer from information collected for a different purpose? This is important since we want to place more weight on direct statements customers and stakeholders make on a topic, than inferences we can draw from discussions on other topics.

When insights were shared and discussed whilst developing the Business Plan, each source was given a Red/Amber/Green (‘RAG’) rating to indicate its score against these three criteria (green = 3/3, amber = 2/3, red = 1/3 or 0/3). This information allowed us to make a balanced judgement, based on the number of different sources of insight, and their overall robustness. This assessment is shown against each engagement event listed in our 17 output case Appendices.

5.9.4 We have sought retrospective independent assurance over our enhanced engagement approach at various stages

We engaged with Savanta, a leading research specialist organisation in April 2019 to provide their assessment over our engagement activities to date. They were complimentary about the methods used, reach and breadth of our research and engagement to date and our approach to segmentation. They recommended that we enhanced the structure and narrative of our engagement framework, which we have subsequently done.

Noting that willingness-to-pay is a very complex and highly specialist form of research we asked Professor Ken Willis from Newcastle University, a leading scholar in this type of research, to provide an independent assessment of the work we have completed in this space. Professor Ken Willis completed a similar piece of work for Anglian Water as part of their PR19 engagement process. His assessment of our research programme was positive, noting good practice in sampling, segmentation and in the data triangulation process.

In November we also asked Savanta to formally assess the entirety of our engagement programme. They concluded that they had “been able to provide assurance from top to bottom: we can advise that the overall thinking behind the approach is sound, that the design of individual programmes was rational and that the methodologies were implemented in an appropriate and customer-centric manner. Moreover, we have seen Cadent consistently use industry-leading research techniques to engage customers, primarily through building on and learning from the successes of the PR19 process in the water industry.

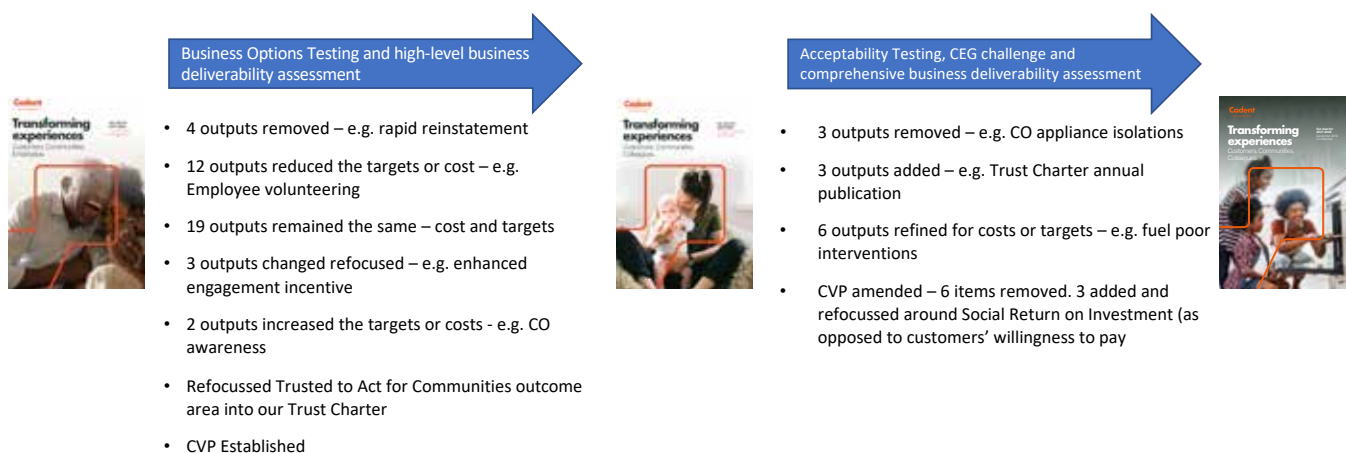
We have seen the programme develop substantially in its sophistication of thinking and, just as importantly, in its ability to clearly document the research streams. This has enabled Cadent to demonstrate its extensive coverage of customer views and feedback and ensure they were fit for purpose to feed internal decision-making around the plan and various options. See **Appendix 05.06** for the full report.

5.10 Our Plan has evolved as we have continued to engage

Each phase of our engagement programme has helped us to develop our output commitments. In Phases 1 and 2, customers and stakeholders confirmed their priorities which underpinned four key customer outcome areas. In Phases 3 and 4, we were able to create over forty output commitments that sat within the priority areas. These were the commitments that we documented in our July draft business plan. During July and August, we tested these commitments through our business options testing (Phase 5) and made a number of changes.

The figure below summarises the degree of change at an output commitment level from our July draft Business Plan to our December final submission.

Figure 05.08: Changes made to our outputs based on customer and stakeholder feedback



Our detailed Output Case Appendices (see [Chapter 7, Our Commitments](#)) detail how our commitments have evolved and changed through our ongoing enhanced engagement programme.

5.11 We have been innovative in our approaches to engagement

We identified early on in our process that customers and stakeholders need incentivising to provide us with the quality insights that are critical for us to develop our Plan. In some cases, we have financially compensated individuals and organisations, but in all cases, we have tried to make engagement easy, fun and rewarding. We also recognise that many of the customers and stakeholders that we are engaging with were involved in helping to shape water companies' plans for PR19 and many more are also customers and/or key stakeholders to other energy companies, which are undertaking their own enhanced engagement programme at the same time as us. As such, we built and continually improved a Plan that was designed to be engaging, innovative and worthwhile for customers and stakeholders.

For example:

- Customer Deliberative workshops – these were a first for Cadent, working with customers to inform them about our business and who Cadent are, to enable customers to provide informed feedback and decisions on the services they would like Cadent to provide and what customers' priorities are.
- Revealed preference willingness-to-pay – the first time that these have been used across our industry and offering informed customers the opportunity to engage in an area where the chance to provide input is valued.
- Through the use of virtual reality headsets at customer forums we have been able to bring to life some of the real experiences of our customers, stakeholders and employees in delivering the work that we do. This has enabled more informed and higher quality discussions to be had.
- During the summer, we used a series of videos to bring to life the options that we were presenting to them as part of the business options' testing process.
- Cadent Voices campaign – we ran a number of fun and engaging events during the summer to involve local communities and employees, which we used to share our Plan and seek additional insights from audiences less attracted to more traditional engagement events.

- Employee engagement – We employ over 4,000 individuals, working right across our operational footprint. Our youngest employees join our apprentice scheme from the age of 18 and our oldest employee is 72 years old. Our workforce is made up of individuals following 30 different religions with 12 different languages used as a first language. Over 12% of our workforce is from a BAME background. Engagement with the Plan – we have sought views on our planned commitments from over 200 employees across 14 of our sites. Not only has this enabled us to thoroughly test the deliverability of our Plan, but it has also brought our people along on our journey to significantly improve the customer service levels we strive to deliver.

5.12 We ensured that our Plan has been tested with current and future customers

Our RIIO-2 Plan not only extends to 2026, but also includes several important considerations that extend well beyond this, especially those centred around energy transition and the future role of gas. As such it has been necessary to engage with future customers to future-proof our plans. These have included younger people who are not yet home owners, individuals and communities not currently connected to the gas network and different types of connections customers. We engaged with future customers during Phase 3 of our engagement plan and to an even greater extent in Phase 5 – business options testing.

When applying the hierarchy of needs framework, we noted quite a considerable difference between current and future generation customers. Their priorities differed, especially those in relation to our proposed commitments around sustainability, with future customers placing these lower down their hierarchy (i.e. they saw them as a fundamental part of our delivery), whereas existing customers placed them much further up their hierarchy (i.e. they did not see them as core but rather a psychological need or 'nice to have').

Enhanced engagement continued

5.13 We have had effective challenge from our CEG and the R2CG

5.13.1 We recruited and on-boarded individuals with broad expertise

We have established a CEG with a broad range of experience and specialism to challenge all aspects of our Plan. **Appendix 05.07** provides information on the members of our CEG. We adopted a systematic approach to the recruitment of our CEG, working alongside our chair (and supported by Sia Partners) to ensure we had coverage across all the key areas that they had been asked to consider by Ofgem. We also brought in members who had experience of the PR19 process to bring that learning to our work.

To ensure that each member of the CEG was able to engage effectively, we spent three days on-boarding them. We shared information on how our business operates, how we have performed over time, and in comparison with other gas network businesses, our successes, and the areas of our business where we are seeking to improve. This process provided all CEG members with a good grounding in our business, so they could provide effective challenge from the start.

5.13.2 The reach of the CEG was broadened by establishing CEG working groups

Through early discussions with CEG members, it became clear that it would not be feasible to cover all the areas within the scope of the CEG's work solely through monthly meetings. To get an appropriate level of scrutiny and challenge, we agreed with a recommendation from our CEG to establish four working groups to look at key areas that could have significant customer or bill impact. Members of the CEG were aligned to each working group based on their skills and areas of expertise.

The working groups were established in December 2018 and ran through to September 2019 when we reviewed their effectiveness and continued need with the CEG. In this session we agreed that we should continue with the Finance and Investment working group in its current guise as there was a lot of additional detail to be discussed. However, given the progress made in the other three areas, we agreed to bring the discussions back into the main CEG, albeit supplemented by additional meetings with smaller groups of the CEG as required, to cover very detailed agenda items.

In total we have met with the CEG as a whole 17 times and there have been a further 24 CEG Working Group meetings. Following the October draft plan, the role of the working groups increased to delve into detailed discussions to understand output cases, our CVP, output costs and to focus on the work required to close challenges in each area.

CEG working groups

Table 05.02 CEG working groups

Working Group	Areas of Focus
Future Role of Gas	The purpose of this working group was to focus on ensuring effective stakeholder input into considerations of the longer-term future of the gas network. This intended to ensure that a) stakeholder views are reflected in the company's decisions and the Plan, so it is better aligned to the needs of current and future customers and b) help ensure it is robust, as far as possible, against changing public policy and need.

Working Group	Areas of Focus
Finance and Investment	The Finance and Investment Working Group provided independent scrutiny and challenge to Cadent on the content of the Business Plan relating to finance and investment. This included the underlying drivers of cost, the level of efficiency that is achievable, and the level of performance set out in the Business Plan.
Vulnerability	The aim of the Vulnerability Working Group was to support the work of the main CEG in relation to inclusive services, safeguarding and fuel poverty with a particular focus on ensuring Cadent's approaches in these areas are well targeted, efficient and effective.
Research and Engagement	The aim of the working group was to understand Cadent's position relating to research, customer and stakeholder insight, data strategy and engagement, including how objectives are set and how the outcomes from this are measured and managed.

5.13.3 We maintained an open, honest, supportive approach and welcomed the challenge from our CEG

We were determined to use the challenge they provided to grow as a business, so we could deliver the right outcomes for our customers and stakeholders. We involved the CEG from the beginning of our business planning process by sharing our initial draft versions for review and challenge. We explained how we had improved on each iteration of our Plan, reflecting the input they provided. We did this in a number of ways including maintaining a log of all recommendations provided in relation to each version of the plan, and how the plan was iterated or changed based on this feedback at each stage. This was completed in addition to maintaining an audit trail through the challenge log.

5.13.4 We have acted on the challenges raised by our CEG

To date our CEG has raised over 200 separate challenges. Whilst the challenges span all areas of the Plan, the main themes include:

- Our approach to engagement: in particular ensuring that we can demonstrate a golden thread that links the engagement activities we have undertaken to insights, and ultimately commitments in the Plan.
- Vision and strategy: in particular providing clarity around these and demonstrating how our Plan directly links in.
- Future role of gas: especially being firmer around the societal role we have to play.
- Being a responsible business and demonstrating commitments throughout the plan.
- Affordability and vulnerability and our stated ambition level.
- Network resilience: to be clearer how we have engaged and linking this to our proposals.

At the time of writing our July Business Plan submission, less than ten challenges had been formally closed, and when we submitted our October draft Business Plan, more than 40 had been closed. At the time of writing this Plan a little over 100 have been formally closed by our CEG although we believe that almost all will be closed once the CEG have completed their review process as we have provided evidence to demonstrate why we believe these challenges have been addressed. We believe a small number (below 20) may remain open for delivery in early 2020. The CEG will publish a copy of the Challenge Log along with their written assessment later in the month.

5.14 The challenge from our CEG is not only influencing our Plan, but also our business operation today

A large proportion of the challenges provided by the CEG relate to our RIIO-2 Business Plan. However, in some cases, we have already responded to challenges by improving how we operate today.

Examples of changes made as a result of CEG feedback include:

- We have developed a new vision statement reflecting feedback that our previous version lacked ambition, was ambiguous and uninspiring. We have created our new vision through engagement with the CEG, over 100 employees, our Executive team and Board members, plus a number of customers and stakeholders. It was rolled out to the wider organisation in May 2019 at a leadership conference that focused the organisation around the need to prioritise customer outcomes.
- Our enhanced engagement programme has been revised to that described in this chapter, through active challenge at the Research and Engagement working group, including:
 - Bringing in additional expertise to the organisation to help shape our framework and approach and provide assurance through the programme
 - Our approach to segmentation and representation, specifically ensuring that the voices of business customers and expert stakeholders are heard and responded to
 - How we have captured the golden thread between how we have engaged, the insights we have received and our commitments
 - Specific improvements during each stage of engagement (for example how we test acceptability related to uncertainty mechanism, how we triangulate the various levels of insight, how we document our evidence and how we weight the relative significance of different sources of insight)
- Our business options testing approach was expanded, based on a challenge that our plans were too focused on end customers and did not have sufficient focus on business customers and other stakeholders.
- Attendance at a large number of specific engagement events and post-session feedback (as was the practice at every single event) to continually improve the processes we followed
- Input into our ongoing stakeholder engagement strategy including its reach, strategic join across the organisation, segmentation approach and the development of output commitment specific engagement plans
- Suggesting that we could gain additional value from the range of quantitative data we have collected through our Enhanced Engagement programme, by applying deeper analysis of this data, and whether we could overlay other datasets to give greater insight. Our Customer Insights team are considering this for application during RIIO-2 and in support of preparations for RIIO-3.
- We have strengthened the definition and widened the focus of our MOB's customer strategy.
- We have stretched the ambition level underpinned by our Environmental Action Plan.
- We have clarified and focused our customer vulnerability strategy, creating a clearer aim and established processes and actions by which it will be delivered.
- Our Future Role of Gas focus and leadership role has been clarified and our strategic positioning changed.
- We have amended our website to be more accessible and inclusive, including being multi-lingual and putting sign language overlays to demonstration/advice videos online; we are also planning on removing the charge associated with our general enquiry phone line to make it more inclusive.



Enhanced engagement continued

5.15 We have noted some divergent views between ourselves and the CEG

Throughout the process the CEG have raised challenges relating to areas of our Plan and the processes that we have followed, especially relating to our enhanced engagement programme. In a small number of cases either a challenge has 'timed-out' or we have questioned the legitimacy or relevance of the CEG challenge. This is an ongoing process and at the time of writing this, we have not seen the CEG's final assessment report which could lead to additional areas of disagreement.

The CEG have, on several occasions held different views to us over our strategic approach to certain areas. Examples of these include:

- Our vision statement – which we have subsequently revised, based on feedback from the CEG and engagement with customers, stakeholders, our shareholders and employees.
- Our ownership of the challenges associated with MOBAs – which we have clarified through several focused deep dives and site visits and a clearer articulation of our approach in later versions of our Plan.
- Our articulation of our innovation strategy – which we have revised quite considerably since the CEG's first sight of this.
- Our enhanced engagement process – which we have continually reflected as we have developed it throughout the process.
- The level of detail captured in Output Case definition documents – we have updated our output cases to strengthen our evidence, in particular the engagement we have undertaken and how we have established our targets.
- Specific details relating to output commitments – for example the CEG challenged us to add an additional bespoke output commitment to our 'interruptions' output case, based on the volume of interruptions. Whilst we have referenced that in principle we agree with this suggestion in the output case, we do not believe that it is possible to measure this as well as the current proposed common measure, without driving unintended and potentially negative outcomes for customers.
- Our CVP determination criteria was challenged and we made it far clearer providing additional evidence into the Plan. In a small number of cases the CEG challenged the content of our overall CVP. In most cases we agreed (e.g. initially a number of commitments made in our Trust Charter were included in our CVP and they have since been removed from it).
- Our approach to engaging on cyber security and network resilience, in which we have engaged primarily with regulators and expert delivery partners rather than extensively with end customers due to the limited scope for change and the relative complexity of the subject matter.

If there are additional areas of divergent views noted after the CEG issue their final assessment, we will consider these and respond if required through the open hearing process.

5.16 The RIIO-2 Challenge Group ('R2CG') has provided feedback throughout the process that we have responded to

Following their review of our draft Business Plan in July, the R2CG provided us with feedback including a number of challenges, which we have responded to. They noted several areas where our July Plan was not fully compliant with Ofgem's requirements, for example we had not included details about our customer vulnerability strategy or our ongoing engagement strategy. In the main, these and other omissions were due to the small time window between receiving the guidance document at the end of May and submitting the Plan on 1 July. Most of these gaps were closed when submitting our October Plan and all have now been addressed, along with further feedback provided by the Group in relation to our October submission. A full list of feedback points raised and our response to these can be found in **Appendix 01.01** How we have responded to CEG and R2CG feedback.

5.17 We have made a long-term commitment to enhanced engagement

Our Plan has been heavily shaped and influenced through our enhanced engagement process. It has provided us with confidence that by delivering against the commitments we have made, we will be taking positive steps towards our vision – to set the standards that all of our customers love and others aspire to.

As stated in the introduction of this chapter, if we are to achieve this vision, we will need to ensure we stay close to our customers and our stakeholders, as engagement is fundamental to our business strategy. We are making a firm commitment to continue with our enhanced engagement. This will take several forms as listed below. The details of our ongoing engagement plan can be found in our Stakeholder Engagement Strategy, which is provided in **Appendix 05.01**.

Our ongoing commitments to enhanced engagement have been developed based on our learning from RIIO-1, input from our CEG and the benchmarking we have undertaken with other utilities, in particular water companies based on their PR19 submissions. Our strategy is consistent with our customer strategy and ongoing transformation programme, establishing an approach that is overseen and coordinated centrally, and delivered and owned locally.

The core elements of our ongoing engagement commitments are:

- Business as usual Insights – we will continue to undertake this work, which is centrally coordinated through our Business Insights Team but with enhanced capabilities, through the investment we are making in AI and machine learning, and in our people's capabilities during RIIO-1.
- Establishment of customer and stakeholder groups – Building on the learning from the RIIO-2 engagement programme, our intention is to continue engaging, on at least a quarterly basis in all regions, to check how we are doing with our commitments and to capture evolving areas of interest or challenge throughout the RIIO period. We will refresh our community every year to ensure we keep a broad customer base across our networks.
- Evolution of the Customer Insights Forum – Becoming an integral part of Cadent's performance management governance process, including Board level reporting.
- Regional Stakeholder Groups – We have repurposed our national Stakeholder Advisory Panel to create four network aligned, regional stakeholder groups. These are evolving as we establish even more localised forums that are driving more specific and relevant action plans. Where possible we are leveraging existing groups, such as our ongoing engagement with Local Area Energy Plans ('LAEPs').
- Cadent's Customer Engagement Group ('CEG') – We will continue to operate with an externally appointed and independent CEG, with rotating membership, to ensure continued fresh challenge and insight. As part of our commitment to ongoing engagement we have proposed a reputational ODI in which we will publish progress against the commitments in our stakeholder engagement strategy, which will receive input from our CEG, our Customer Forum and relevant regional stakeholder groups.
- Online Forum – noting the success of the pop-up community engagement events that were ran online as part of our RIIO-2 enhanced engagement programme, we will invest to establish an ongoing means to engage with customers and stakeholders through this method.
- Stakeholder Engagement Incentive Scheme – evolving to focus on the important area of future energy scenario development and whole system solutions.
- Brand Awareness – building on customer feedback and focused around supporting the delivery of output commitments in the Plan.



- Filling our expertise gap – as we develop our internal engagement capabilities we have worked with a number of consultancies to support our overall delivery. We are investing in training our own staff during RIIO-1 to ensure we have the skills to continue to engage with stakeholders on an ongoing basis.
- Stakeholder Engagement plans developed for all output commitments – in our Stakeholder Engagement Strategy we show how engagement is critical to the delivery of all our output commitments. Our strategy aligns with our innovation, MOBs and customer and customer vulnerability strategies, which all focus on how robust and structured engagement underpin successful delivery.
- CEG and regional stakeholder groups – continuing to operate the CEG and regional stakeholder groups will ensure ongoing challenge and review, which will add a further level of measurability over our engagement benefits. It is difficult to place a financial measurement of the value that the CEG and regional stakeholder groups have provided us with in developing our RIIO-2 Plan and therefore what we expect during RIIO-2. However, the diversity of expert views has fundamentally challenged and impacted our Plan, which can be seen by the changes we have made, providing benefits to customers, our communities and our business.
- We have defined an engagement strategy for each of our output commitments and these are documented in our Stakeholder Engagement Strategy. In measuring our delivery of each output commitment, where possible we will seek to understand the value added through our engagement activities.

5.18 Measuring the added value and costs of ongoing engagement

We will measure the value added through our ongoing engagement programme in a number of ways which are described in detail within our Stakeholder Engagement Strategy. Primarily, as described in our ongoing Stakeholder Engagement Strategy, we cannot deliver the commitments in our Plan without carefully considered and thorough engagement, so in measuring our delivery against our output commitments, we are also measuring the success of our ongoing engagement activities. However, additional measures that we will apply include:

- Calculating the Social Return on Investment (SROI) – using our proven methodology that we developed alongside Sia Partners. We have used this extensively over the last year to prioritise the engagement initiatives that we have rolled out, including our continued funding of CO awareness and fuel poverty schemes, that often go beyond our regulatory requirements. This will be our primary method to assess which initiatives to prioritise during RIIO-2 and the one we use to measure their success.
- Cost Benefit Analysis – some engagement activities do not lend themselves to using the SROI methodology. In these cases, we typically seek to apply a more traditional cost-benefit analysis approach, which is also used to justify and prioritise the actions that we take (and ultimately assess the benefit of the engagement).
- Stakeholder Engagement Incentive Scheme (SEIS) – we are proposing an evolution of the current stakeholder engagement incentive scheme which encourages networks to clearly articulate the benefits associated with engagement activities. For RIIO-2 we are proposing that the SEIS focuses on whole system solution initiatives and those related to energy transition.

There is a cost associated with our ongoing engagement commitments. Much of the cost will be spent in RIIO-1, through the investments we have made and will make, on data, technology and upskilling our people. Other costs, such as the running costs of the Insights Team and Forum and those associated with the SEIS, represent non-incremental costs as they are being delivered today and are a core part of our performance management and governance regime. However, there will be ongoing costs associated with the CEG and regional stakeholder panels, the online forum and brand awareness campaigns. The total costs of these initiatives are expected to be approximately £2m a year, which includes the employee costs associated with those directly leading on engagement activities, but excludes the costs of employees who are indirectly supporting engagement activities. Given the intrinsic link between high quality engagement and our ability to deliver all of our Plan, the reality is that we will spend considerably more on engagement activities that are operated locally by employees across all our regions. Engagement needs to be seen as a part of all employees' roles, just as other activities such as budget management, line management and performance management are.