

SSEN DISTRIBUTION RIIO-ED2

# SUPPLY CHAIN STRATEGY

RIIO-ED2 Business Plan Annex 16.2



Scottish & Southern  
Electricity Networks

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## Our supply chain partners' crucial role in delivering value for money, innovation and transparency

Maintaining and enhancing supply chain relationships is imperative to achieving our aim of delivering a valued service that offers a safe and resilient network for our customers and communities, in line with our business plan core principles of value for money, innovation and transparency. Moreover, the challenge to the energy industry of delivering the Government's net zero commitments requires that in RIIO-ED2 we are supported by our supply chain partners in order to provide a smart, flexible and sustainable energy system. That means in RIIO-ED2 we need to help our supply chain sustainably grow its capacity and capabilities.

Our supply chain plays a crucial role in the success of our business. Fully delivering on our RIIO-ED2 ambitions will require greater capacity to deliver our plans in full and ensure security of supply for our key network asset classes. In RIIO-ED2 we will deliver these requirements working alongside a cost-efficient and innovative supply chain underpinned by a risk-based contracting delivery model; whilst maintaining and enhancing health, safety, environmental and sustainability standards.

Our Supply Chain Strategy has been designed in parallel with our Deliverability and Workforce strategies to ensure we have the ability to optimise and find synergies across our workbank and deliver our programme efficiently. It will continue to build on the key RIIO-ED1 improvements such as category management, batching of requirements and optimising commercial management, whilst having fully considered the risks and opportunities of local customer/consumer network and supply chain.

We consider suppliers a key stakeholder in effective operational delivery, therefore we have undertaken a comprehensive RIIO-ED2 specific Supply Chain Enhanced Engagement programme. Extensive engagement has supported strategy co-creation. The engagement programme to validate our Supply Chain Strategy has continued throughout our development of our RIIO-ED2 Business Plan.

With regards to the delivery of net zero, we have, and will continue to involve the supply chain in the development of an aspirational and achievable sustainable supplier code linked to the UN Sustainable Development Goals (SDGs) most material to our business; underpinned by the ISO 20400:2017 Sustainable Procurement standard. The model will aim to forge stronger supplier relationships, improve innovation, and enhance the management of shared risks and opportunities, to deliver enhanced value and outcomes for the environment, society, and local economies.

Our Supply Chain Strategy will deliver cost reduction, efficiency, deliverability and enhanced shared value, through implementation of the following:

1. A range of contracting strategies that support a flexible, effective, digitalised, sector leading, customer focused, optimized approach to support the 'Touch the Network Efficiently' delivery concept providing for geographic variables, as-yet unknown requirements, internal resource availability, together with tiers and core competencies and capability of the supply chain.

2. Refinement of procurement strategy models and delivery of further efficiencies through long-term commitments, earlier contractor involvement, clear risk ownership and cost reduction synergies between SSEN and our supply chain. Seeking to secure capacity for goods, works and services as early as possible to support our supply chain securing resources and to recruit, train and retain key skills for RIIO-ED2 and beyond.
3. More collaborative longer-term strategic relationships to support our supply chain's requirements in the areas of enduring safety, innovation, cost reduction initiatives and increasing skills and resource development.
4. Review our regional and local supply chain strategies to ensure they meet the increased volume and customer service requirements of RIIO-ED2.
5. Provide the supply chain with greater programme visibility, certainty, and continuity of work to support skills and resource development and increased efficiency.
6. Co-collaboratively develop a robust, aspirational, and achievable sustainable supplier code.

All of the above factors support the deliverability of our plan, as well as supporting our stretch ongoing efficiency targets of 0.7%pa.

# 1. INTRODUCTION

An established and robust procurement & commercial team delivering value improvement and efficiency for our RIIO-ED2 Business Plan

Maintaining and enhancing supply chain relationships is an imperative to delivering an efficient and valued service that provides a safe and resilient network for our customers and communities, in line with our Business Plan core principles of value for money, innovation and transparency. Moreover, the challenge to the energy industry of delivering the Government's net zero commitments requires that in RIIO-ED2 we are supported by our supply chain partners in order to provide a smart, flexible and sustainable energy system.

Our Supply Chain Strategy builds on the key RIIO-ED1 improvements such as category management, consolidation of frameworks and requirements as well as improving commercial management to minimise cost leakage. With the drive for increased performance for customers and communities, different approaches are required for RIIO-ED2 where consideration of the risks and opportunities of local customer/consumer network and supply chain are essential.

The strategy sets out our governance and value creation processes. It also describes, when read in conjunction with the ***Ensuring Deliverability and a Resilient Workforce (Chapter 16)***, the activities we are doing or plan to do, to provide confidence in the deliverability of the plan and the rigour in seeking the best value solutions. The structure is as follows:

1. Enhanced engagement.
2. Best practice procurement and commercial management to deliver value in all supply chain activities.
3. How we have transformed our procurement & commercial approach to deliver cost reduction to meet RIIO-ED1 needs.
4. How we plan to improve performance ahead of and during RIIO-ED2.

## 2. ENHANCED ENGAGEMENT



Our Supply Chain Strategy has been informed by our Enhanced Engagement programme, full details of which are set out in **Enhanced Engagement Strategy (Annex 3.1.)**. Our draft plan was underpinned by four phases of stakeholder and customer engagement (illustrated in the diagram above). The details of this engagement and insights are set out in Appendix A to this Annex and provide a clear line of sight between what stakeholders told us and our Supply Chain Strategy.

### 2.1 FINAL SUPPLY CHAIN STRATEGY TESTING AND ACCEPTANCE

We have refined our final Supply Chain Strategy and outputs based on Phase 4 of our Enhanced Engagement, which involved direct testing of the strategy, outputs and costs with 1,541 stakeholders through eight events. The table below sets out the clear line of sight of the changes between our draft and final Supply Chain Strategy based on this engagement.

## 2.2 ENGAGEMENT EVIDENCE TRIANGULATION AND CHANGES BETWEEN DRAFT AND FINAL PLAN

The table below summarises the clear line of sight between stakeholder and consumer insights and our Supply Chain Strategy. For our **draft Supply Chain Strategy**, based on phases 1 to 3 of our enhanced engagement program, we demonstrated how engagement insights had informed our strategy using these keys:



Findings converge to support proposals.



Findings generate new insights that lead to further refinement of proposal.



The proposed approach diverges from the findings.

To demonstrate the line of sight between the scope of **change between draft and final**, based on testing our draft proposals with stakeholders and consumers, we use these keys:

Strategy/Output	Phases 1-3 Enhanced Engagement	Phase 4 Testing
<b>Supply Chain Strategy</b>	<p><b>Stakeholders said</b> There are cost-efficiency opportunities if we increase our pipeline visibility, engage our supply chain earlier in the delivery of works/services/goods, simplification of our processes and alternative contract and delivery models.</p> <p><b>Our response</b></p> <p> Incorporating this and other supply chain feedback in our strategies, we have further shifted our focus away from a single focus on unit cost reductions and towards seeking wider efficiencies in RIIO-ED2 through the Strategic Portfolio Deliverability approach (as outlined in the Deliverability chapter).</p> <p><b>Stakeholders said</b> To achieve better outcomes in RIIO-ED2, we need to collaborate with them on safety, design, deliverability, sustainability, IT/OT, DSO.</p> <p><b>Our response</b></p> <p> We will work collaboratively with suppliers in these areas to develop value improvements that underpin our RIIO-ED2 supply chain strategy.</p>	<p><b>Stakeholders said</b> Supply chain stakeholders when reviewing the overall draft plan strategies and cost re-emphasised the need to continue engagement with the supply chain on refining and implementing the Strategic Portfolio Deliverability approach to ensure innovation and efficiency were applied to the ED2 program. Stakeholders identified supply chain constraints as a potential challenge to meet Net Zero business plan strategies and deliverables.</p> <p><b>Our response</b> We acknowledge that further engagement with the supply chain is essential to develop the Strategic Portfolio Deliverability approach and the additional commercial models that will need to be employed to cater for different geographies and supplier specialisms. We also acknowledge that provision of a common IT platform will underpin the capacity and efficiency of the supply chain to work with us to deliver increased performance in the ED2 period. Consequently, from January 2022 until March 2023 and beyond we have committed to on-going engagement to support implementation and prepare for the commencement of the ED2 program.</p>

Strategy/Output	Phases 1-3 Enhanced Engagement	Phase 4 Testing
<b>Sustainability</b>	<p><b>Stakeholders said</b> Stakeholders shared the level of maturity of their organisations with respect to the key themes of sustainable procurement (based on UN SDGs)</p> <p><b>Our response</b></p>  <p>We have developed a draft Sustainable Supplier Code that incorporates our 16 key sustainability themes. We will work collaboratively with the supply chain to understand if this is challenging and achievable, without unfairly impacting small suppliers; and how we can support suppliers of all sizes to develop sustainability aspirations that support our vision.</p>	<p><b>Stakeholders said</b> <i>Future customers</i> saw that signing up 80% of the supply chain (by value) to Sustainable Supplier Code as a very important focus for the business (refer to Annex 13.1 Environmental Action Plan). Over 75% of <b>domestic customers in both the south and north</b> surveyed also saw it as a medium to high priority.</p> <p><b>Our response</b> We acknowledge that customers and stakeholders view sustainability in the supply chain as an important priority and examined the feasibility of increasing our ambition in this area to signing up 90% of the supply chain (by value). After consideration, we have maintained our 80% target and this higher target (90%) will be a future ambition as the supply chain matures and we have confidence that it can be achieved.</p>

### 3. BEST PRACTICE PROCUREMENT AND COMMERCIAL MANAGEMENT TO DELIVER VALUE IN ALL SUPPLY CHAIN ACTIVITIES

A structured programme of distribution focused procurement and commercial activity supported by best practice procurement systems and processes

This section is focused on the principles and processes we apply in order to secure the best overall benefit for customers and consumers. Our best practice approach to procurement is designed to reveal efficient costs and ideas for addressing distribution network issues, and to deliver our RIIO-ED2 strategic outcomes.

#### 3.1 ROBUST PROCUREMENT PROCESSES TO DELIVER STRATEGIC OUTCOMES AND COST EFFICIENCY

Our procurement strategy for RIIO-ED2 builds on Supply Chain Strategy and process improvements delivered during RIIO-ED1 to reduce cost, improve safety and improve performance for customers and consumers during RIIO-ED1.

Competitive processes are utilised throughout our procurement activities. However, competition alone does not drive consumer value. We have a multi-layered approach to procurement, described below, which is designed to appropriately manage the risk in delivery of Distribution investment whilst protecting the interests of consumers and achieving best value for the energy system.

The RIIO price control framework drives us to reduce costs through innovation, efficient procurement and whole system solutions. We already seek to deliver all Distribution investment as efficiently as possible, sharing the benefits with consumers. We are therefore exploring areas of our proposed RIIO-ED2 plan where effective procurement practice has the potential to deliver further cost efficiency, innovation and additional benefits (e.g. through the use of e-auctions; and Dynamic Purchasing Systems (DPS) to support the procurement of flexible solutions explained later).

We seek to ensure that we operate a robust sourcing process that is fit for purpose/most economically advantageous for each project or portfolio of projects (described below). Whilst retaining these key principles, we have sought to simplify our procurement processes where practicable, to both reduce the programme timescales, and the cost burden for consumers.

#### 3.2 OUR APPROACH TO PROCUREMENT

The role of SSE's Group Procurement function is to source the goods, works and services required to support the wider business to achieve its key objectives whilst delivering best value. As part of the wider SSE group, we can leverage the increased purchasing power of the group to secure works, goods or services at best compliant price and /or lower cost of ownership. We also benefit from a reduction in transaction costs and process economies (such as eliminating redundancy in the supply chain).

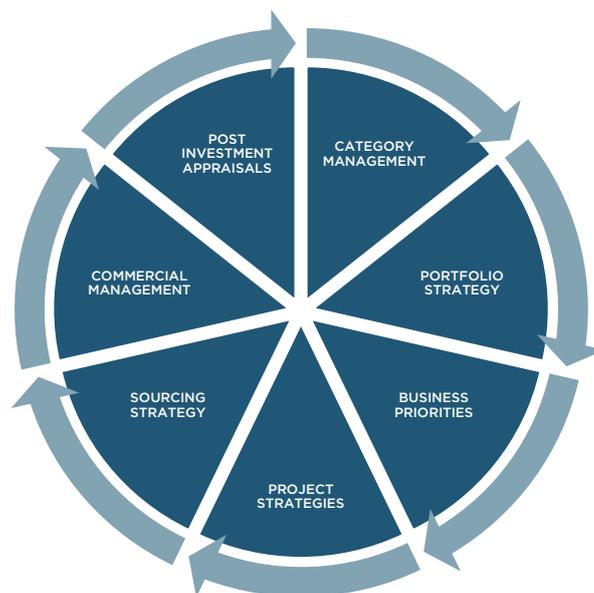
Following Group Procurement’s organisational transformation in 2017, the Procurement and Commercial (P&C) function is split into embedded P&C support teams, and a centralised Procurement Operations team. The P&C Team is embedded in, and dedicated to, the Distribution business and the function has the objective of supporting the Distribution business through demand management, procurement of certain specialist projects and the delivery of robust post contract commercial management services which ensure that projects and individual contracts have appropriate strategies and are commercially managed in an effective manner.

The Procurement Operations team is responsible for a leveraged procurement service to all group businesses including Distribution. Core areas of responsibility include:

- Category management, which provides a strategic procurement approach to key areas of expenditure across 15 major categories including IT, Substations, Overhead Line, Civils, Cabling and HR.
- Strategic and tactical sourcing activities.
- Supplier Relationship Management (SRM) activities across SSE’s top suppliers.
- Sustainable procurement strategy and execution.
- Innovation (Open Innovation).
- Purchase to Pay (P2P) performance and improvement.
- Data and analytics.
- Procurement systems support.
- Digital procurement strategy and execution.

We consider this best-in-class model with our multi-layered procurement approach provides the greatest potential benefit to consumers. This has been validated further by a group operating model review in 2019.

In addition, through analysis of the complexity and volume of projects to be delivered during RIIO-ED2, we shall maximise consolidation of activities to support the ‘Touch the Network Efficiently’ strategy, whilst being cognisant of local/geographic constraints/demands and supply chain specialisms to ensure contracts deliver value for the customer. The diagram shows the cycle of the multi-layered approach, which is explained in more detail below:



### **Category Management Frameworks (coordinating our procurement through forward planning and grouping procurement activities into categories of spend).**

Category management is a strategic approach to procurement where spend is segmented into areas which contain similar or related products enabling opportunities for consolidation and efficiency, whilst ensuring the particular needs and priorities of individual business units are fully addressed.

Through our application of category management, we aim to identify opportunities to leverage SSE group spend, driving value creation and innovation by segmentation and spend analysis. Segmentation allows a dedicated team of procurement staff to focus on the business needs, associated supply markets and demand forecasts to create value streams that deliver net benefits.

With the potential for significant savings and risk reduction, it can also reveal other sources of value and innovation from the supply base. We see the value and invest in meaningful collaboration with stakeholders, both internal and external, to maximise value in each category of spend.

Each category is managed by a Category Manager with a supporting category management approach that is governed by a three-stage process (requirements, opportunity and delivery). Every 12 months each Category Manager produces a Strategic Category Plan that documents value creation opportunities for the next financial year.

Our Category Managers focus on market analysis, detailed assessment of our supply chain and sourcing to ensure individual categories (for example, transformers, cabling or overhead lines) have a specific procurement approach defined to achieve value for money.

## **3.3 PORTFOLIO PROCUREMENT STRATEGY (OUR OVERALL APPROACH TO RIIO-ED2 PROCUREMENT).**

Again building on RIIO-ED1 best practice, we will keep our overall portfolio of RIIO-ED2 planned investment and activities under review, identifying opportunities for work package consolidation with negotiated cost reductions for guaranteed volumes and visibility of programmes of work (including updates on potential additional demand should Uncertainty Mechanism associated works progress in RIIO-ED2), whilst remaining focused on cost and efficiencies. Reviewing our approach at a portfolio level enables creation of robust Category Management Plans (see section below) for effective utilisation of resource across multiple projects and contracting strategies (to drive efficiencies and resource retention).

We will refine our procurement strategy model and deliver further efficiencies through long-term commitments, earlier contractor involvement, clearer risk ownership and seeking cost reduction synergies between ourselves and our suppliers.

Recognising the flexibility required to plan and deliver a complex programme of distribution projects, to optimally meet the rapidly increasing and dynamic demand, our approach allows us to align procurement activity to project and regional requirements. Co-ordinating the need of several projects can often help lead to the most efficient solution.

We have effectively piloted tactical bundling strategies during RIIO-ED1 for the 2020/2021 SHEPD subsea cable installation campaign and the SEPD purchase of Grid Transformers in 2020 (requirements for 2020-2023). This resulted in cost reductions and is further discussed in section 3.

## 3.4 ALIGNING EFFECTIVE PROCUREMENT PROCESS TO BUSINESS PRIORITIES

Once the overall portfolio of RIIO-ED2 planned investment and activities are substantively known, working with the Category Managers, we test if Group Category Plans deliver the best outcome for Distribution. If not, Distribution specific Category plans are developed, an example of this is the SHEPD Cabling frameworks, where different sourcing approaches were adopted for mainland requirements and for the Highlands and Islands.

In RIIO-ED2 we will operate a robust tender process that is fit for purpose for each project or portfolio of projects (described below). Whilst retaining these key principles, we have sought to simplify our procurement processes where practicable, to both reduce the programme timescales, and the cost burden for the supply chain and consumers.

Examples of these include (which will be expanded on in following sections):

- **Framework Consolidation** – increasing the scope of activities within frameworks to allow economies of scale to be developed and reduce the number of contractor mobilisations and their supply interruptions.
- **Contract Bundling** – When the opportunity arises, we encourage project and contract bundling, securing further cost efficiencies from the supply chain by leveraging economies of scale and streamlining resource.
- **Framework Renegotiation** – where expressly provided for in the tender exercise and contractual documentation, we seek to ensure through the duration of the framework, we maintain competitive pressure between framework suppliers by renegotiation of further reductions of schedule rates. This initiative has created substantial savings.
- **Mini-Competitions** – Many of our frameworks are set up to provide for mini-competitions. Where appropriate we utilise mini-competitions between framework contractors to drive down costs even further.

## 3.5 PROJECTS COMMERCIAL AND CONTRACTING STRATEGIES

We apply a tiered approach to commercial management. Projects over £1m trigger a process requiring a Commercial and Contracting strategy together with robust bottom-up cost estimates. This cradle-to-grave governance is explained in more detail in section 3.

To support larger projects valued at greater than £5m, a Procurement, Insurance and Legal (PIL) review is also triggered. The PIL reviews test the procurement, insurance and legal strategies for our projects collectively to provide specialist advice, make pertinent recommendations where appropriate, and ensures that our proposed commercial and contracting strategy is consistent with the long-term programme of works across our portfolio.

Senior members from each of Procurement, Commercial, Insurance and Legal functions review, with independent assessment on projects over £10m being supported by SSE's Large Capital Project Services (LCPS).

## 3.6 SOURCING EVENT TASKS UTILISING NEW STRATEGIC SOURCING SYSTEM

Individual sourcing event tasks level activities are controlled and monitored through our IT platform, where Procurement & Commercial representatives ensure contracts are awarded through an assured approach. Following a regulated competitive procurement event earlier in the year, in October 2021 our IBM Emptoris system was replaced by a Jaggaer system. The new system will provide a significant improvement in ease of use, interaction for the supply chain and reduction in time to complete sourcing events.

In addition, there is an audit and compliance function that ensures we undertake these individual procurement activities in a transparent manner, in alignment with our internal procurement policies and procedures and statutory regulations.

## 3.7 PROCURING WORKS, GOODS AND SERVICES

We procure works, goods and services through various procurement channels and processes. For example, depending on the procurement strategy selected (and as described above), we might call-off from a framework agreement or develop a bespoke tender for specific works, goods or services.

We have detailed below the different approaches to our procurement requirements that we will use during RIIO-ED2, setting out the purpose and benefits associated with each, and how they facilitate competition and efficient outcomes for consumers:

### 3.7.1 FRAMEWORK AGREEMENTS

A framework agreement is a general phrase for a fixed term framework which sets out terms and conditions under which agreements for specific purchases (known as call-off contracts) can be made throughout the term of the agreement. In most cases a framework agreement will not itself commit either party to purchase or supply.

Following withdrawal from the EU, UK legislation continues to require SSE to follow competitive tender processes when selecting potential framework providers.

Frameworks comprise an outline of the requirements and corresponding specifications, procedures and policies, a list of providers who have been evaluated as capable and competent of delivering against the requirements, the terms and conditions of the call-off contracts and corresponding price schedules. Frameworks can be divided into lots in various ways, such as by product or service type, geographical area or by value/complexity of project. A multi-supplier framework allows us to select from several providers to meet our requirements, helping to ensure that each commitment represents best value. Using a framework agreement can also save significant time and money, while still delivering a service specified to local requirements, and supporting local decision making and accountability.

We can purchase from a framework in various ways, such as direct award or via a further competition amongst the framework providers (a 'mini competition').

A framework agreement contains service providers' maximum prices for the works, goods or services described in the framework lots. Where appropriate and the cost of doing so is outweighed by the potential savings, we can potentially reduce prices further by undertaking a mini-competition between the framework providers. These enable continuous competitive tension throughout the life of a framework and secure value for consumers.

In a limited number of circumstances, we might need to directly award a contract due to the highly specialised nature of equipment or only one supplier being able to meet the tender criteria or timescales.

Procurement legislation requires that, following a mini-competition, the call-off contract must be awarded to the provider whose tender has been deemed the most economically advantageous as a result of our evaluation against the award criteria specified in the framework-related contract documents. This transparent process means the award criteria, and any ability to flex this, must be clearly communicated in the Invitation to Tender (ITT), and contract documents made available to providers when the framework agreement is tendered.

The proposed criteria and the relevant weightings are clearly stated in documents sent to framework providers in relation to the mini-competition. At the end of the term of the framework agreement (including any optional extension periods), the ongoing business need is evaluated with requirements being adjusted as necessary incorporating any lessons learned, and competitively tendered to the market once again.

### 3.7.2 BESPOKE PROCUREMENT

For larger and/or complex projects (these tend to be in the high risk, high value category but are not limited to this), we have the option to consider developing a bespoke procurement arrangement.

We utilise the Achilles Utility Vendor Database (UVDB) system as an initial selection route for the identification of potential providers. If few suitable suppliers are identified through the Achilles UVDB system, then the call for competition via UK Government's 'Find A Tender' portal will be used.

Eligible providers are invited to complete a Pre-Qualification Questionnaire (PQQ) to establish the suitability, capacity and capability of potential providers.

We then utilise competitive processes in relation to the ITT, allowing providers who have successfully prequalified to submit their technical and commercial bid against a predetermined scope of works or service requirements, with the award criteria based upon the most economically advantageous tender (combining the optimum balance of price and quality). Further rounds of robust negotiation relating to technical and commercial matters are undertaken in order to secure the lowest possible price to the benefit of our customers and end consumers.

### 3.7.3 DYNAMIC PURCHASING SYSTEM

A Dynamic Purchasing System (DPS) is an electronic system that can be established to purchase goods and services which are commonly procured by SSEN and readily available on the market.

Using a DPS provides a simple, straightforward form of access to contracts for suppliers. It is a cost-effective method that can minimise the need for complex tender processes and benefit both the supplier and tendering organisation.

Over the course of the RIIO-ED2 period, we will further develop our deployment of a DPS initially in our Distribution Network Operator (DNO) and Distribution System Operator (DSO) activities for Constraint Managed Zones (CMZs). DPS is used by organisations required to comply with the requirements of the Public Contracts Regulations 2015, of which we, as a utility, are subject to by virtue of the Utilities Contracts (Scotland) Regulations 2016.

DPS has the effect of streamlining procurement processes for both providers and utilities. Once registered, providers don't have to demonstrate suitability and capability every time they wish to compete, meaning less administration and associated costs for us, as well as providers. In addition, processes are shorter, and contracts awarded more quickly than under more traditional tender procedures, saving costs long term.

DPS also may offer more flexibility than traditional framework contracts. Potential providers, meeting the service requirement and evaluation criteria, can join at any time during the process service period, meaning the pool of potential providers is not limited to the duration of a traditional framework contract. This is particularly beneficial in emerging or fast developing sectors.

By utilising a suite of procurement options through RIIO-ED2, we are not limiting the potential for efficiencies and competition, and through our established principles and extensive experience we are able to deliver outcomes which balance the needs of customers and consumers.

Building on our activities through RIIO-ED1, our approaches to the effective and efficient procurement of services, goods and works in RIIO-ED2 will continue to develop through the influence of our review processes and stakeholder feedback, and also as we obtain more clarity of Ofgem and the ESO's thinking on competition policy development.

## 4. HOW WE HAVE TRANSFORMED OUR PROCUREMENT & COMMERCIAL APPROACH TO DELIVER COST REDUCTION TO MEET RIIO-ED1 NEEDS

As industry, business and portfolio objectives progress, supply chain strategies evolve. This section highlights key Procurement & Commercial Supply Chain improvement examples that have either reduced cost, improved safety, or improved performance for customers and consumers during RIIO-ED1.

Also highlighted are projects that are in progress and will deliver benefit for remainder of RIIO-ED1. All enduring cost reductions are included in the unit costs submitted as part of this business plan.

### TRANSFORMATION SHIFT TO A STRATEGIC PROCUREMENT & COMMERCIAL FUNCTION

Through organisational transformation, the SSE Group Procurement & Commercial function has moved from a tactical to best-in-class strategic model. The Category Management focus, new cradle-to-grave procurement & commercial process, a digital roadmap including the implementation of a new source to contract IT system; all to support the delivery of more informed, flexible and robust strategies.

### IMPLEMENTATION OF SUPPLY CHAIN CATEGORY MANAGEMENT PLANS

Since introduction, the Category Team have delivered 10 Distribution specific key category plans with 18 in development. Key plans include:

- Overhead Line General Works up to 33kV (for SEPD and SHEPD)
- Tree Cutting Services (for SEPD and SHEPD)
- Supply and Delivery of Distribution Transformers
- 33kV & below Cabling for SHEPD
- Temporary Resource - IT and non-IT (Managed Service Provider)
- Mobile Generator Hire

### ADOPTION OF MULTI-TIER SUPPLY CHAIN STRATEGIES CAPACITY

Reviewing and accepting quantified changes to contractual risk strategies has allowed us to drive down costs on non-core competence areas or skills development/shortage areas. Strategies have been broadened to move down the supply chain either by developing smaller contractors or employing resources on an operational contingent worker basis.

This has been effective for SEPD 132/33kV cable installation projects, 132kV overhead line works and 33/11kV primary substation works. These savings have been reflected in our unit rates submitted for RIIO-ED2 and have supported six new key lower tier contractors now working directly for us.

### NEW SEPD CONNECTIONS DELIVERY FRAMEWORK

Early in RIIO-ED1, it became apparent that the existing contracting strategies to deliver SEPD connections were not compatible with the greater RIIO-ED1 requirements. A Connections category plan was delivered bringing together the business need and the market capabilities into a robust delivery strategy. Since implementation in 2020, the new framework has contracted over **xxxx** million of work and has the objective of improving customer experience whilst safely delivering a range of connection projects in a variety of market segments.

## BUNDLING OF PROJECTS

Through programme alignment during development and refinement phases, we have piloted the bundling of projects, examples as follows:

**Subsea:** Four separate SHEPD subsea cabling projects were consolidated into one call-off competition event. The framework contractors were invited to bid for each project and provide an additional bid if all four projects were awarded and installed as one campaign. This approach is expected to reduce installation costs by circa **xxx%** when compared to awarding each project separately. These reductions have been included in our RIIO-ED2 Subsea cable investments. Reductions in cost were due to fewer vessel mobilisations, shorter cable load-out durations, using less fuel and labour.

**Grid Transformers:** In 2019, a call-off mini competition was released against the existing framework for the supply of the remaining grid transformers required until the end of units for RIIO-ED1. Savings of circa **xxx%** were achieved. These principles are being developed for the RIIO-ED2 strategy and are supporting our stretch ongoing efficiency targets of 0.7%pa.

## BUSINESS ALIGNED PROCUREMENT & COMMERCIAL FUNCTION

To maximise commercial management of supply chain contracts, in 2017 a specific Distribution Procurement and Commercial team were set up with responsibilities for cradle-to-grave commercial management of supply chain delivered projects for SHEPD and SEPD Customer Operations teams (projects over £1m), Subsea and SEPD Connections. Specific improvements include:

- Alignment of SSE Group best in class processes and procedures to Distribution activities (through the Distribution Capital Governance framework).
- Robust independent bottom up cost estimating at project governance gates to improve financial decision making.
- Training and upskilling of Distribution workforce commercial awareness and expertise.
- Transition to NEC form for contracts to support more creative contracting approaches in RIIO-ED2.

## SPECIFICATIONS CHANGES

Through category management and supply engagements, a number of specifications, method of working changes and enabling innovative technologies have been adopted. Examples include:

A – Stokbord Drum is a single cable protection board supplied on an industrial wooden cable drum. The cable protection board is directly unwound into the trench removing the need for operatives to set foot below ground for a quicker and safer installation.

B – For the recent Moy and Burn of Whilk 33kV cable installation projects, recognising the challenging peat ground conditions, we successfully introduced a Geotextile cable wrap product. This reduced programme duration and enabled further benefits, including:

- Optimal electrical transmission by keeping three single core cables in tight trefoil formation.
- Avoids use of imported bedding (sand) for cable sheath protection
- Allows complete re-use of excavated earth and removes need for landfill



chain

## CONSOLIDATING PLANT HIRE SERVICES

During ED1, we reviewed our internal plant services, structure and procedures, leading to the introduction of an internally managed centralised plant hire desk. The benefits of introducing this team include:

- Dedicated team with diverse marketplace expertise to support hire requirements, providing timely support and resolution to requests and issues
- Improved cost management and governance across 100+ national external hire providers.
- Maximised efficiency in sourcing the right equipment (including business-owned assets) at the lowest cost, delivered on time at a location of choice.
- Ensure equipment meets all compliance needs such as insurance and our own safety standards environmental requirements

## ACKNOWLEDGING GEOGRAPHIC CONSTRAINTS AND LOCAL CONDITIONS

Refinement of agreements and aligned call-off contracts to focus on specific projects, business plan and local risks or requirements. Working closely with suppliers, we minimise and mitigate potential impacts in the various locations and geographies we serve. Some factors often lead to additional costs that would be unlikely to be incurred were similar activities being undertaken elsewhere.

- Pentland Firth East - charter ferries required for transport of materials and machinery
- Glenfinnan - challenging ground conditions and large volumes of rock to break-out in a remote location
- Moy - extensive peat bogs at works location, requiring trackway access
- Mull - extensive access works and temporary bridges required

## 5. HOW WE PLAN TO IMPROVE PERFORMANCE AHEAD OF AND DURING RIIO-ED2

Working with our partners we seek to deliver a robust, deliverable, sustainable and cost-efficient integrated plan to achieve our RIIO-ED2 commitments

Our Supply Chain Strategy has been, and will continue to be, developed to align with the core principles of:

1. **Value for Money:** Focusing on flexibility, efficiency and creating value for customers and communities.
2. **Innovation:** Support and enable the efficient delivery of new capabilities to meet consumer needs and deliver value.
3. **Transparency:** Being open and accessible in our activity and engagement.

Whilst the changes shared in the previous section have delivered cost reductions, performance improvements and resource availability, these are tactical commercial and contracting strategies and will not be sufficient to deliver the efficiencies we are seeking to achieve in this business plan.

Understanding RIIO-ED1 benchmarking data, RIIO-ED2 requirements and the ***Deliverability Strategy (Annex 16.1)***, underpinned by supply chain engagement, has and will continue to highlight where our suppliers can have greatest influence on our overall cost efficiency and improved performance.

As the supply chain is instrumental in meeting our RIIO-ED2 net zero ambitions we have, and will continue to engage the supply chain in the development of an aspirational and achievable Sustainable Supplier Code linked to the UN Sustainable Development Goals (SDGs) that have most materiality to our business; underpinned by the ISO 20400:2017 Sustainable Procurement standard. The code will aim to forge stronger supplier relationships, improve innovation, and enhance the management of shared risks and opportunities, to deliver enhanced value and outcomes for the environment, society, and local economies.

This section details the supply chain activity undertaken to aid the understanding of how to develop the most effective strategies to deliver the RIIO-ED2 requirements, how we intend to be flexible to deliver unknown, emerging, innovative requirements, and how the Supply Chain Strategy will continue to evolve beyond business plan submission.

## 5.1 VALUE FOR MONEY

Focusing on efficiency and creating value for customers and communities

### Strategic review of Supply Chain Strategies against business plan objectives

Our RIIO-ED2 deliverability, workforce and supply chain strategies have been developed to complement each other and ensure they jointly contribute to a deliverability approach which can most effectively outperform our business plan.

The requirements of our RIIO-ED2 portfolio have been assessed to seek maximum potential contribution and benefit from the specialisms and capabilities of our supply chain. Whilst doing so, we have also sought to fully understand and take account of marketplace capacities and other constraints which could impact deliverability, including local and geographical variations.

To support the review, we undertook a RIIO-ED2 specific supply chain engagement programme. The overarching aim was to share SSEN's RIIO-ED2 Business Plan objectives with both existing and non-existing and potential providers of network and non-network solutions; and to understand how, from the supply chain's perspective, supply chain strategies could be developed in the most effective and appropriate way. (Refer to section 4.3 Transparency – Our approach to enhance engagement in the Supply Chain below for more information).

Through several events, we have consistently received supply chain feedback advising the largest efficiency and cost reduction opportunities would be realised through:

- Consolidating complementary projects, long term programme visibility and committing to volume and continuity of work
- Earlier contractor engagement to design out costs
- Rationalisation of products and simplification of our processes
- Alternative contract and delivery models

This and other key supply chain feedback has been incorporated into the strategic portfolio deliverability approach (as outlined in the ***Ensuring Deliverability and a Resilient Workforce (Chapter 16)***).

### Key strategic review findings:

Considering RIIO-ED2 requirements, supply chain feedback and the strategic portfolio deliverability approach, a review was undertaken and the key findings were:

- Due to the current project refinement and development approaches, supply chain strategies are generally tactical and project-type specific. In the case of construction projects, this provides little certainty for suppliers and reduces opportunity for consolidation, early contractor engagement and innovation. Moving to a more strategic portfolio deliverability approach will allow a different maturity of commercial engagement with the supply chain.
- It is unlikely that all requirements can be delivered through one strategy. To that end, a diverse and flexible range of strategies will be required to support the differing needs for geographic areas, unknown requirements, internal delivery support requirements and supplier specialisms.

These may range from tactical one-off agreements to committed and uncommitted frameworks, as well as more collaborative contracting models.

- More collaborative, longer-term, strategic relationships can support enduring delivery of the key drivers, those being safety, innovation, cost reduction initiatives and increasing skills and resource development. Such relationships will allow greater opportunity for:
  - Earlier contractor engagement to allow the supply chain to design out cost or programme work more effectively to smooth out skills or outage peaks etc.
  - Support in product and specification rationalisation to allow shorter design times, greater consolidation of volumes and quicker delivery times.
  - Incentivised year on year cost reduction targets.
  - Collaboration on key skills training and development.
- Supplier feedback has supported our identified requirement to implement a common IT platform (Deliverability systems EJP **444/SSEPD/IT/Capital\_Investment**) for programme and project planning (Stakeholder Event E165). This is a fundamental enabler of our deliverability approach and supports operational and workforce efficiencies in SSE and the supply chain.
- Contracting terms and risk strategies will be evaluated to reflect the specific risks and opportunities of the strategic, regional and local requirements; with the most appropriate party being responsible or for the risk. As a result, it is likely that new agreements will be required.
- Providing long term commitments to the supply chain will deliver higher security of supply/deliverability confidence as well as lower costs.

To complement these key findings, we commissioned an external maturity assessment of our organisational readiness to implement our strategic deliverability and Supply Chain Strategy. A P3M3 model (portfolio, programme, project) assessment was utilised and applied to baseline SSE maturity, with comparisons against other construction, infrastructure and regulated sector averages. The scores were reflective of the current tactical approach to project management and Supply Chain Strategy and reinforced the recognition that significant change is required to move from tactical towards strategic delivery of the RIIO-ED2 programme.

### Plan for Supply Chain Deliverability

The supply chain being able to deliver the required increase in volumes in RIIO-ED2 is critical. A considered and effective supply chain deliverability strategy will mitigate the inevitable competition for scarce resources between DNOs and help reduce costs pressures. To achieve this, through RIIO-ED2 and into RIIO-ED3, we will seek to transition to become an intelligent, flexible and innovative client of choice throughout our licence areas by:

- Providing the supply chain with longer range notice of requirements (targeting up to 24 month look ahead forecasts for key high risk products, with confirmed order placements up to 12 months ahead) and projects (subject to uncertainty mechanisms, targeting a rolling 36 month look head forecast with a firm 6 -12 months ahead work programme) to ensure we can secure the relevant plant, material, and labour for assured delivery. This will also support the preparation of increase in volumes due to uncertainty.

- Providing volume commitments and, where possible, allow the supply chain to smooth demand (see ***Ensuring Deliverability and a Resilient Workforce (Chapter 16)*** including for product suppliers. Arrangements shall be supported by our currency and commodities hedging policies
- Reduce supply chain risks by diversifying our supply chain for high risk product items. This will be achieved either through awarding multiple agreements, or approving multiple production facilities (e.g. to address capacity and cost impacts in EHV and HV cable manufacturing there has been a shift from Western to Eastern European locations in RIIO-ED1 and we expect this to continue with a shift to the Middle East). For high volume products, we will work with Asset Management for forward visibility of requirements and our Equipment Specifications teams to optimise and rationalise product specifications.
- Implementation of a collaborative Commercial & Deliverability cradle-to-grave portfolio and cost management system, to provide a real time 'one source of the truth' performance reporting.
- As we have assessed and explained in our ***Ensuring Deliverability and a Resilient Workforce (Chapter 16)***, we do not have sufficient internal design resource to complete all the RIIO-ED2 design work, where required, we will adopt a 'design and delivery by the same party' principle as this acts as both an incentive mechanism to reduce any overengineering and removes the need to transfer design liability or manage interfacing contracts. To support the increase in volumes and enabling construction in the early years of RIIO-ED2, we are considering a range of global design outsourced strategies to support the 'owners engineer' approach to design.
- In our strategic collaborative agreements, we will use the long term committed volumes as a foundation to work with our key supply chain partners to develop a pipeline of future key skills.
- Implementation of a tiered Strategic Relationship Management (SRM) programme with key supply chain partners to build an effective, collaborative deliverability culture to optimise project and operational delivery, effectively measuring indicators to assess and improve supplier performance. Whilst benefitting from supplier capabilities, technologies and innovative solutions to ensure competitive advantage and providing a means to manage escalations and provide efficient resolutions.

These and other activities, will give the supply chain confidence to increase capacity (through investment in plant, people, production capacity or in training and development in new skill sets) and retain those assets and resources in RIIO-ED2 and into RIIO-ED3 (a period where network investment will again need to grow rapidly in order to facilitate the rapid decarbonization of the economy).

Aligned with our Deliverability and Workforce strategies, we have developed our delivery approach, through engagement of internal stakeholders, suppliers and external SMEs to challenge and corroborate our approach to support the methodology for final submission. Key activities (detailed in full ***Deliverability Strategy (Annex 16.1)***), include:

- External Commercial Model Review - Independent assessment of prospective commercial and incentivisation models in relation to our delivery approach. The findings are consistent with, and validated, our commercial and contracting strategies.
- External Peer to Peer Review - Commercial & Deliverability strategy presented to a peer to peer Board Community consisting of CEOs, senior executives and global leadership teams.

- External Asset Management Review - External SME validation of Asset Management practices against ISO5500 and endorsement of our Commercial and Deliverability approach.
- Additional Supply Chain engagement - Understanding supplier capabilities and appetite to support our RIIO-ED2 delivery approach and volumes (including UM); assessing abilities and strategies to meet the industry resourcing challenge; further insights on how other DNOs/infrastructure organisations collaborative and deliver; concluded sustainability survey and one to one interviews to inform our Sustainable Supplier Code.

As the supply chain and deliverability strategies are developed, we will continue to engage with the supply chain and external subject matter experts to challenge and validate our strategies.

### **Understanding unit costs and key cost drivers**

We will continue to complete detailed cost assessment of recently delivered RIIO-ED1 projects. This will identify exceptional items which, with other cost drivers, impact key variances in outturn costs, as well as opportunities for better cost efficiency across key asset replacement and capital programmes.

This, with the cost reductions and efficiencies outlined below, will aid and develop current efficiency initiatives to continue throughout the RIIO-ED1 period.

### **Quantification of supply chain value improvement opportunities**

In addition to RIIO-ED1 improvements (as described in section 3 above), the efficiencies targeted from the strategic portfolio deliverability approach and new supply chain strategies, the RIIO-ED2 supply chain engagement (refer to section 4.3 'Transparency') and internal workshops, have identified over 250 value improvement ideas.

Potential improvements have been categorised based on potential unit rate impact and expected RIIO-ED2 expenditure. Examples of value improvement opportunities being investigated include:

- The use of recycled of excavated materials to reduce tipping costs and support zero to landfill sustainability driver.
- Increase modular offsite manufacturing to reduce time, cost and safety risk.
- Rationalisation of product lines to standardise designs, consolidate volumes and reduce stock levels.
- Review of final mile logistics strategy.

### **Summary of Targeted Efficiencies**

To summarise, building on RIIO-ED1 activities, below are the key supply chain initiatives and approaches which support realisation of the efficiencies we aim to deliver in this Business Plan:

1. Finalise a diverse and flexible portfolio of supply chain strategies for strategic, regional and local requirements. Ensuring consideration for differing geographic areas, uncertainty requirements, internal resources and tiers and core competencies of suppliers/contractors.

2. Where appropriate, seek consolidation of projects into programmes to reduce costs through economies of scale, programme visibility, continuity of work.
3. Where effective, utilise early contractor engagement to design cost out, increase innovation and increased contractor responsibilities or opportunities to reduce costly constraints, with incentivisation and year-on-year cost reduction targets.
4. For each of the programmes and packages, develop appropriate commercial and contract risk positions to ensure the most appropriate party manages and mitigates risk.
5. Having worked with the supply chain to standardise and rationalisation specifications, make volume commitments to the supply chain to provide security of supply/deliverability confidence as well as lower costs and cost certainty.
6. Quantification and implementation of value improvement opportunities (specifications, process, rationalisation of products etc).
7. Use the new Commercial & Deliverability portfolio management tool to commercially manage projects and to identify risks requiring intervention.

All of the above factors support the deliverability of our plan, as well as supporting our stretch ongoing efficiency targets of 0.7%.

## 5.2 INNOVATION

Support and enable the efficient delivery of new capabilities to meet consumer needs and deliver value.

This section details how we have and will continue to develop agile supply chain approaches to support innovative and emerging sector requirements, DNO to DSO transition and our Digitalisation & Open Data IT/OT Strategy.

### Innovation in SSEN

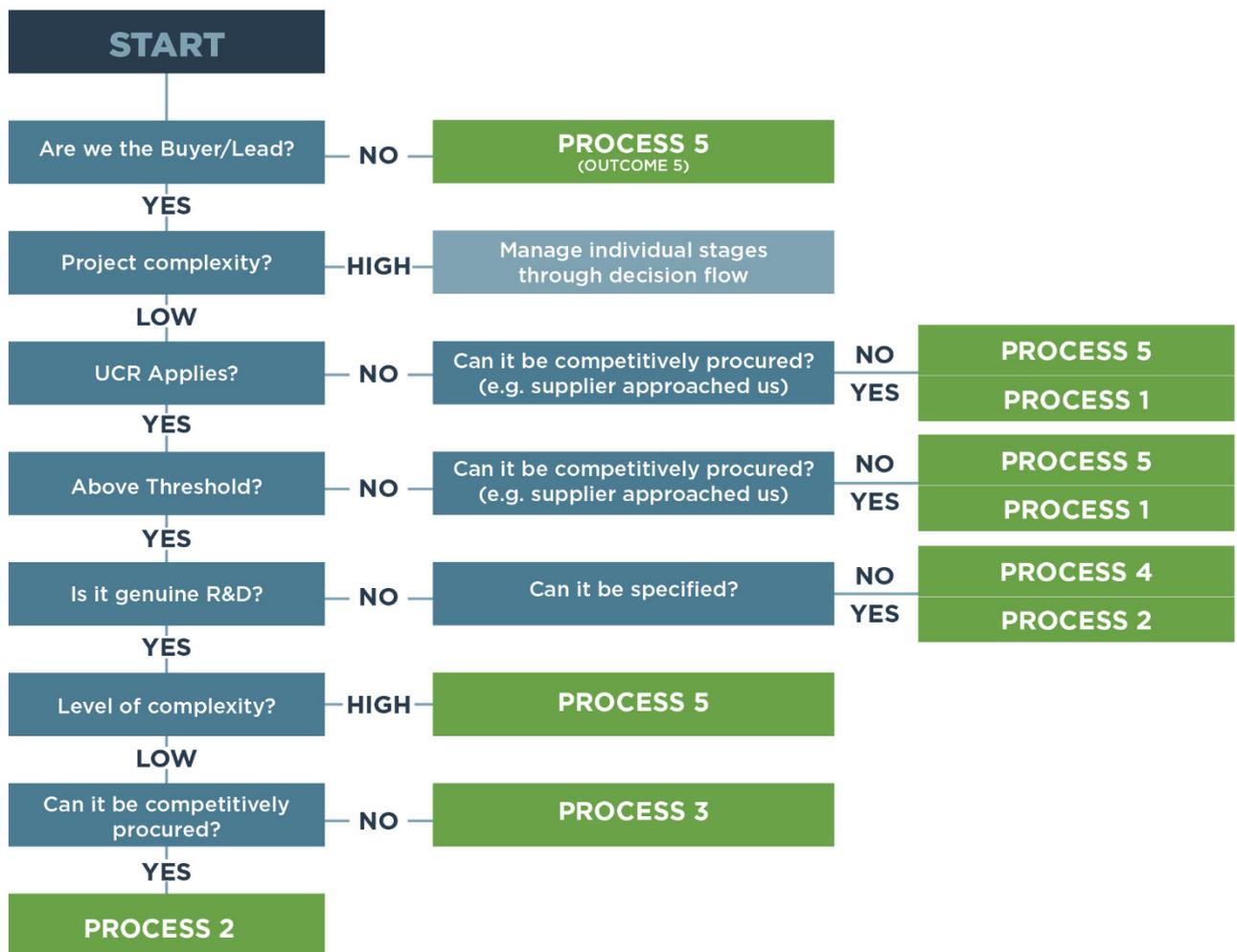
Innovation has a crucial role to play in understanding the impact net zero will have on the network and identifying the new solutions, tools and techniques that will be needed to meet our strategic objectives during RIIO-ED2. During RIIO-ED1 we delivered a successful and wide-ranging portfolio of innovation projects, which allowed us to deploy new solutions to bring benefits to our customers.

### Increasing Procurement Agility to Foster Supply Chain Innovation

Successful engagement and co-creation with stakeholders, partners and the forward-thinking relationships we have with the supply chain have been key elements of our delivery programme. Access to the external market facilitates creative thinking for the benefit of new and adapted solutions that meet our customers' and stakeholders' needs as these develop and change.

In RIIO-ED1 we delivered multiple diverse projects with a wide variety of partners, suppliers and stakeholders across a wide range of small and large, public/private/education organisations. This involved several contracts/procurement streams and as such the actual amount of procurement activity at any one time can be significant and complex. This complexity was further increased by the need to ensure contracts are placed in compliance with the Utilities Contract Regulations (UCR) 2016, which can make the implementation of innovative supply chain solutions and the subsequent transition to business as usual more complex. For the remainder of RIIO-ED1 and in preparation of RIIO-ED2, we recognise the need to extend the range of fleet-of-foot, agile approaches to innovation to enable working closely with our diverse supply chain and the innovation community.

We always strive to ensure the most economically advantageous supply chain solution and deliver the project in as cost-effective manner as possible and this is no different for innovation. In support of RIIO-ED2 planning, the decision tree below has been developed to provide potential innovation project-specific supply chain processes and resultant contractual solutions for a range of differing and often emerging project requirements:



Flowing from the processes, we have developed a suite of contractual solutions which have allowed SSEN to deliver our Innovation activities to reflect the range of requirements. These include conventional contracts; a Network Innovation Allowance (NIA)/National Innovation Competition (NIC) R&D collaboration agreement; a non-NIA/NIC collaboration agreement; multi-party agreements; competitive dialogues; innovation partnerships; innovation support frameworks; or using a Dynamic Purchasing System (DPS).

An example of where we will look to harness improved value in RIIO-ED2 is building on efficiencies achieved from CMZs such as Islay; where we achieved an efficient outcome and where 2,214 tCO<sub>2</sub>e (carbon emissions) were saved against conventional temporary diesel generation.

In addition to these contractual solutions we will continue to optimise use of SSEN’s Open Innovation initiative. This is an SSE platform that is designed to increase innovation opportunities, which offers resources and support to optimise implementation of solutions for specific areas/projects.

**Innovation (Chapter 14)**, sets out our approach to Innovation in RIIO-ED2, including our commitment to being Collaborative and Open in our approach. To further expand the reach of our innovation activities, we are committing to long-term membership of the Energy Innovation Centre (EIC)<sup>1</sup>, with a key focus of engaging and supporting the innovation community.

<sup>1</sup> The EIC is a not-for-profit organisation that seeks to bring industry and innovators together to achieve a safe, affordable net zero future for everyone.

## Digital Future

One of the key strategies that underpins our progress towards RIIO-ED2 is our Digital Strategy. We already have, and continue to work on, Future Networks projects supporting digital aspects of the DNO to DSO transition. We are actively engaging with stakeholders (including the supply chain) in identifying and developing approaches for future solutions to enable new digital services via increased data sharing, knowledge partnerships and open application programming interfaces (APIs). The process and contractual solutions outlined in the Increasing Procurement Agility to Foster Supply Chain Innovation section above demonstrate the multi-faceted and flexible approach that we will apply in these engagements.

## Distribution System Operation (DSO) Flexibility Services Procurement Model

Whilst we received OFGEM approval for the DSO Flexibility Procurement Statement, the supporting model will continue to evolve through RIIO-ED1 and into RIIO-ED2. The model has been developed in full alignment with our **Competition Strategy (Chapter 18)**.

## Digitalisation & Open Data IT/OT Strategy

Our extensive investment in Information and Operational Technology (IT & OT) for RIIO-ED2 is set out at **IT and Digitalisation (Chapter 5)** of the business plan. Delivery of those important projects is based on existing SSE IT frameworks and a co-ordinated series of tenders directly aligned to the main IT roadmap.

Through RIIO-ED2 enhanced supplier engagement feedback, our suppliers highlighted potential benefits of greater visibility and understanding of our IT programme, and suggested ways to better align our systems to enable future digitalized ways of working. We intend to have regular engagements with the supply chain to share the roadmap updates to ensure we drive more effective alignment and integration of our respective IT and OT systems.

More information about Innovation specific supply chain engagement can be found in the next section.

## 5.3 TRANSPARENCY

### RIIO-ED2 Enhanced Supply Chain Engagement

In support of developing and subsequently delivering our Supply Chain Strategy for RIIO-ED2 we recognise the importance of consultation and co-collaboration with supply chain stakeholders. The RIIO-ED2 enhanced supply chain engagement programme started in October 2020. The overarching aim was to share SSEN’s RIIO-ED2 business plan objectives with both existing and non-existing and potential providers of network and non-network solutions; and to understand how, from the supply chain’s perspective, the Supply Chain Strategy could be developed in the most effective and appropriately way.

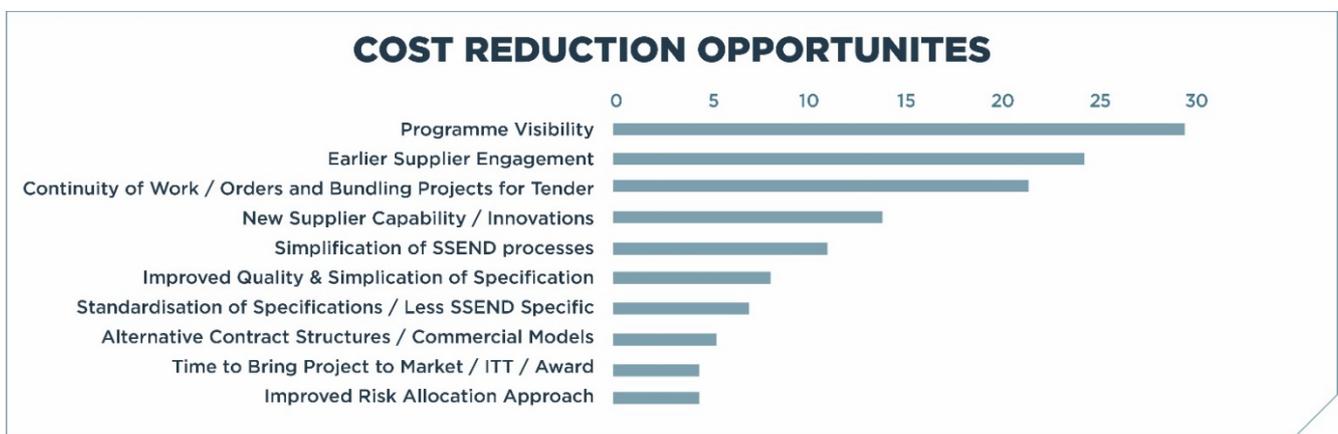
Reflecting that the Supply Chain Strategy has been developed during RIIO-ED1 and will continue into RIIO-ED2, the following diagram details the four-phase programme:



#### Phase 1: Virtual Launch Event

Almost 100 suppliers (84% of attendees) that had supplied to SSEN Distribution in the preceding 2 years attended the virtual (due to COVID restrictions) launch event, which comprised Distribution directors sharing SSE’s RIIO-ED2 business plan objectives on key areas including Health & Safety; Cost & Efficiency; Innovation; Sustainability & Environmental; Strategic Network Investment / Towards Net Zero; Distribution System Operation (DSO) and Digitalisation and Open Data. Live stakeholder participation was incorporated for instant feedback via polling and Q&A (using the ‘Slido’ audience interaction platform).

A key area where we wanted to hear supplier opinions was on what we could do differently to deliver better cost efficiency and unlock value improvements for RIIO-ED2. The graphic below shows the top ten supply chain proposed opportunities (by number of responses):



The feedback we received is central to the development of our strategic portfolio deliverability strategy and the Supply Chain Strategy and underpins how we will work more closely with our suppliers, including:

- earlier engagement & programme visibility;
- consolidating complementary projects and committing to volume and continuity of work;
- simplifying our processes and seeking alternative contract and delivery models; and

Our suppliers suggested that successfully implementing these approaches could potentially deliver value improvement efficiencies of between circa 1-6% of the component elements compared to RIIO-ED1.

Other key feedback included:

- After safety, health and environment (SHE), the supply chains' view was that our main priority for RIIO-ED2 should be net zero, Customers/Customer Service and long-term efficiencies. (The rationale for this question was to understand if the supply chain views are consistent with our objectives).
- When asked what opportunities the predicted increase in volumes might mean for your organisation, 44% of respondents advised they would look to expand the range of services they would offer us. (The rationale for this question is to understand the supply chain appetite for consolidation and multi-skilling).

Following the event, unsolicited positive feedback was received from several suppliers; which included that the session was 'engaging', 'informative', 'delivered well' and that 'Slido was excellent as it allowed for lots of feedback from a large number of parties'.

### **Phase 1: Questionnaire (Dec 2020 – Feb 2021)**

Detailed post-event analysis of the event questions was undertaken to prepare a targeted written Phase 1 Questionnaire. This was intended to capture more detailed and qualitative feedback from supply chain stakeholders on efficiency and cost reduction opportunities. Our questionnaire was issued in early December 2020 to well over 200 supply chain organisations. By mid-January 2021 we had received completed questionnaire responses from a total of 56 suppliers, which represented a healthy response rate of around 25% of those invited.

The responses were reviewed from both a quantitative and qualitative perspective. The aim of the quantitative assessment was to understand if the supply chain views were consistent and to ensure we are acting on the right opportunities that will enhance our business.

By including a maximum-differential approach to some of the questions contained within the Phase 1 Questionnaire, we were able to understand trends in terms of those potential areas of opportunity suppliers viewed as more achievable in comparison to the alternative areas posed.

In terms of the qualitative assessment of responses, the focus was to understand and prioritise suppliers' viewpoints on specific value improvement opportunities that could be achieved. We believe that at this point in our programme, we fully considered supply chain stakeholder-generated improvements, which allowed us to identify the high materiality value improvement opportunity areas to be pursued in the subsequent supplier and/or supply category engagement phase of our Enhanced Engagement initiative.

## Phases 2a & 2b: Develop Improvement Opportunities

In relation to the stakeholder feedback received during phase 1 of our Enhanced Engagement programme, the subsequent steps of our supply chain engagement focused on the key materiality opportunities that would support delivery of a robust business plan that incorporates these future efficiencies.

The Supply Chain Strategy was developed further between draft and final submission, and incorporated supply chain engagement including:

- progress development of efficiencies and opportunities as outline in the Summary of Targeted Efficiencies section above.
- insightful feedback and debate during our supply chain bilaterals (E165), on industry best practice commercial & contracting strategies most aligned with our deliverability approach.
- gaining detailed understanding on supply chain abilities and strategies to increase resources.
- ensuring the involvement of our supply chain in the all-stakeholder Consolidated Outputs and Costings Event (E151), so as to communicate with all interested parties on how we have incorporated their feedback into our proposed Supply Chain Strategy; and gain further feedback.
- develop our sustainable supplier code (see 'Sustainability' below for more detail).

## Phase 3: Implementation of Strategy / Enduring Supply Chain Engagement

Following final business plan submission and subsequent OFGEM determination we will focus on delivering our Supply Chain Strategy to achieve the efficiencies we are seeking to deliver in this business plan.

### **Beyond unit cost – engaging suppliers to shape how we work better together to deliver our RIIO-ED2 plans**

Our RIIO-ED2 Business Planning engagement programme did not focus solely on unit cost reduction. Through the programme the supply chain has provided extensive, constructive feedback and proposals on how we work better together. Following reviews, we have invited many of those suppliers to work with to shape and how we progress and implement those proposals for RIIO-ED2.

This implementation and deployment phase of our RIIO-ED2 supplier engagement is underway, and will focus on the following key themes as we continue to refine and deliver our RIIO-ED2 business plan:

- **Safety** – sustaining world class SHE performance through to 2030
- **Design** – standardisation, specification and engineering standards
- **Deliverability** – securing cost effective capacity to deliver RIIO-ED2 requirements
- **Sustainability** – consultative implementation of our Sustainable Supplier Code, including SBTs
- **OT** – future developments in Distribution OT systems, data and solutions
- **IT Systems** – sharing and harnessing our IT roadmap
- **DSO** – facilitating and driving competition to benefit consumers

## Stakeholder Engagement – further specific supply chain engagements

The initiatives described below outlines additional proactive and effective supply chain engagements to shape and co-collaborate strategies to improve our cost efficiency and network performance.

### Telecoms

Designing a contract and supply partnership model to develop, deliver and maintain the communications network is a vital element of creating a successful telecoms solution. Before going to market to award RIIO-ED2 telecoms framework contracts, we facilitated a series of lessons learned sessions with the supply chain to fully understand how we could establish a contract and service model that best supported SSEN Distribution's operational and technical needs.

The valuable feedback gained at those sessions determined how the new telecoms frameworks should be designed and tendered, including:

- utilisation of a flexible, lot-based model – framework contracts with multiple suppliers across key design, supply and installation services;
- a planned, strategic approach to contract award – prioritising overall system objectives rather than short-term, one-off project delivery; and
- establish a structured strategic relationship management for telecoms service partners.

### LV Monitoring

Before commencing formal tender and contract award procedures, SSE openly consulted with a range of potential partners to develop our thinking on optimal systems and solutions for our LV monitoring programme and identify new suppliers to a previously small supply base.

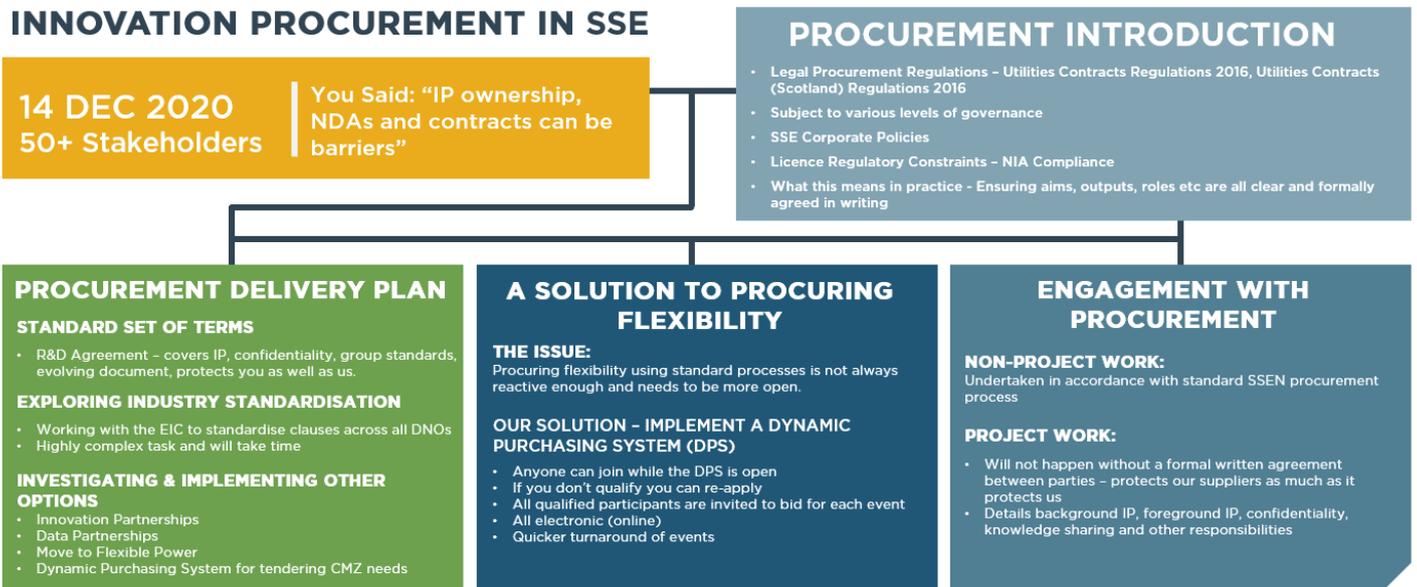
Knowledge and learning were taken from the interactive supplier workshops and developed into a market-wide request for information (RFI) and tender (including proof of concept requirements) for LV devices and monitoring.

Through the opportunities identified in this engagement, in June 2021, we were successful in obtaining funding approval to install low voltage monitoring across 1,000 of our local substation sites to improve visibility of how electrification is impacting our network at a street level.

### Innovation

In support of our Identified Innovation Deployment Opportunities for RIIO-ED2 Business Plan **Innovation (Chapter 14)** we have engaged with supply chain to identify further innovation opportunities. These extend across the majority of the RIIO-ED2 Workstreams and are encapsulated within our RIIO-ED2 Supply Chain Enhanced Engagement Programme.

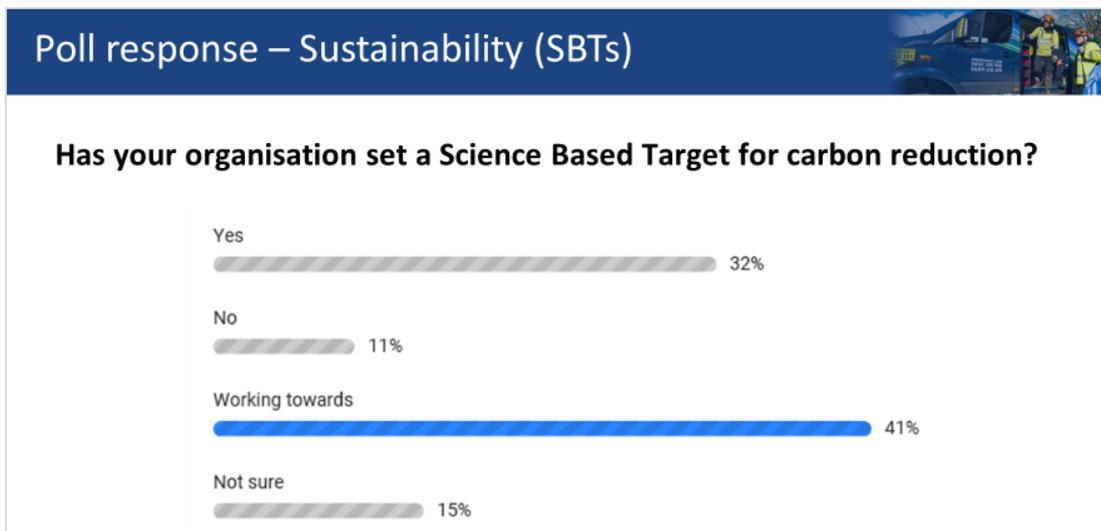
We consulted with Innovation supply chain stakeholders, as part of our two dedicated Innovation Events (E056) and (E088), where we took on board initial supplier feedback that contracts and procurement process were sometimes perceived to be barriers to progressing innovative solutions. As such at the follow-up event (February 2021) we provided supply chain stakeholders with a clear understanding of regulated procurement processes and how networks innovation can be facilitated and successfully progressed, the summary is shown below:



We consulted extensively with our stakeholders at events (E056 and E088). A key theme that stakeholders identified as being crucial to how we can effectively deliver our ambitions in the next price control, included procurement and our willingness to be flexible and consider alternative options. We confirmed to supplier attendees that we are already actively exploring and developing innovative procurement and commercial models with the supply chain (see Increasing Procurement Agility to Foster Supply Chain Innovation section above).

## Sustainability

As outlined earlier in this section, Sustainability and Environment was an overarching SSEN driver shared with the supply chain during the Launch Event (2<sup>nd</sup> Nov 2020) of our RIIO-ED2 Supply Chain Enhanced Engagement Programme. The combination of live polling feedback gained during the event and the more detailed feedback received within subsequent supplier responses to our Phase 1 Questionnaire (January 2021), greatly assisted us in designing our approach to developing a Sustainable Supplier Code for RIIO-ED2 that is aligned to our Sustainability Strategy ***Environmentally Sustainable Network (Chapter 13)***. For example, at our Launch Event, attendees were asked if their organisations had set a Science Based Target (SBT) for carbon reduction. The results are in the table below:



Suppliers, particularly small and medium sized suppliers, suggested collaborative decarbonisation workshops where we would work with our supply chain to identify solutions to reducing carbon emissions and levels of embodied carbon etc.

This positive early engagement on sustainability encouraged us to delve deeper and during March/April 2021 we completed a supply chain sustainability survey (80 respondents) supported with one-to-one supplier follow-up sessions (14 participants) in order to gain a greater understanding of supply chain maturity related to sustainability priority areas.

In our subsequent survey stage, we asked suppliers to confirm whether they would be willing/interested to participate in collaborative decarbonisation workshops to be arranged during 2021. 82% of respondents confirmed they would like to participate (46% selected 'Yes and have ideas to share' and 36% selected 'Yes but require SSEN support').

The following section provides more information on how we have used supply chain engagement feedback to develop our Sustainable Supplier Code.

## Co-created Sustainable Supplier Code aligned to Sustainability Strategy

In line with the UK's transition to a net zero economy and our Sustainability Strategy detailed in ***Environmentally Sustainable Network (Chapter 13)*** we recognise that SSEN's sustainability and environmental performance has a dependency on a sustainable supply chain. Our Sustainability Ambition 1 'Serving the Public Interest' demonstrates our commitment to work collaboratively for the greater good of our local communities and society as a whole; including with suppliers to ensure our values are upheld throughout the supply chain.

To support the ambition, we have developed a draft Sustainable Supplier Code (SSC) which has now been fully developed to facilitate further supply chain consultation, with the aim of implementation in time for the commencement of RIIO-ED2. Throughout RIIO-ED2 our target is to have 80% of our supply chain (by spend) signed up to our Sustainable Supplier Code, and we will continue to maximise the number of suppliers compliant with the code with the aspiration to reach 90% by the end of RIIO-ED2.

In relation to the UN Sustainable Development Goals (SDGs), our stakeholders helped us identify those that are most material to SSEN. We then assessed which of the key SDGs are most relevant to supply chain activities, alongside similar activity that we were involved in to support SSE Group's sustainable procurement approach. Therefore, we have based the development of SSEN Distribution's sustainable procurement approach on the 16 key themes associated with the key SDGs; all of which fall under the 3 pillars of Sustainability, namely Environmental, Social and Economic (more details can be found in the ***Sustainability Strategy (Annex 13.2)***).

We understand the importance of engaging with suppliers in order to co-develop and implement a sustainable procurement strategy for RIIO-ED2 that is challenging, achievable and does not exclude small and medium enterprise (SME) businesses. Our consultative approach combined with robust supply chain management will deliver this.

## SSE Group's Sustainable Procurement Code

SSE aims to improve the social and environmental sustainability of our supply chain with a new, comprehensive, sustainable procurement strategy. At the core of this strategy is a new Sustainable Procurement Code.

The new Code sets out our expectations of the companies that supply SSE with goods and services – from paying a real Living Wage to helping us achieve net-zero carbon emissions by 2050. The Code has been designed to feed into our own group sustainability approach, with clear alignment to the UN's Sustainable Development Goals (SDGs). The Code is supported by a supplier guidance document which provides greater detail on how these requirements and expectations should be implemented by suppliers and contractors.

## Partnering for success – the Supply Chain Sustainability School

We know that collaboration with our supply chain, partners, peers and sustainable procurement experts is what creates credibility in our approach. We have consulted with key stakeholders throughout this process and have become an eager partner of the Supply Chain Sustainability School (SCSS).

The SCSS is a collaboration between companies who want to build sustainability expertise and practices within their organisations and throughout their supply chain. Access to resources and training materials on a wide range of sustainability topics are provided to our supply chain completely free of charge. This means that our smaller suppliers have access to the sort of resources that the biggest companies take for granted; allowing us to provide free access and support to develop their sustainable procurement practices, while at the same time ensuring they are able to meet our sustainable procurement requirements associated with delivery of goods, services and works.

Our objective is to make sure sustainability factors are part of the supplier selection process: setting expectations and driving towards low-carbon innovation and generating local benefits. Success means sharing the economic, social and environmental opportunities created by SSE as we reach for our 2030 Goals. It is good for the planet, it is good for society, and it's very good for our business too.

The Sustainable Procurement Code is found [here](#).

The following extract from our ***Environmental Action Plan (Annex 13.1)*** summarises that we did not stop still at implementing the SCSS; instead we extended this to our own Climate Academy staff sessions, the learning from which will be utilised by staff when working with our suppliers, with access to all relevant material also available to suppliers.



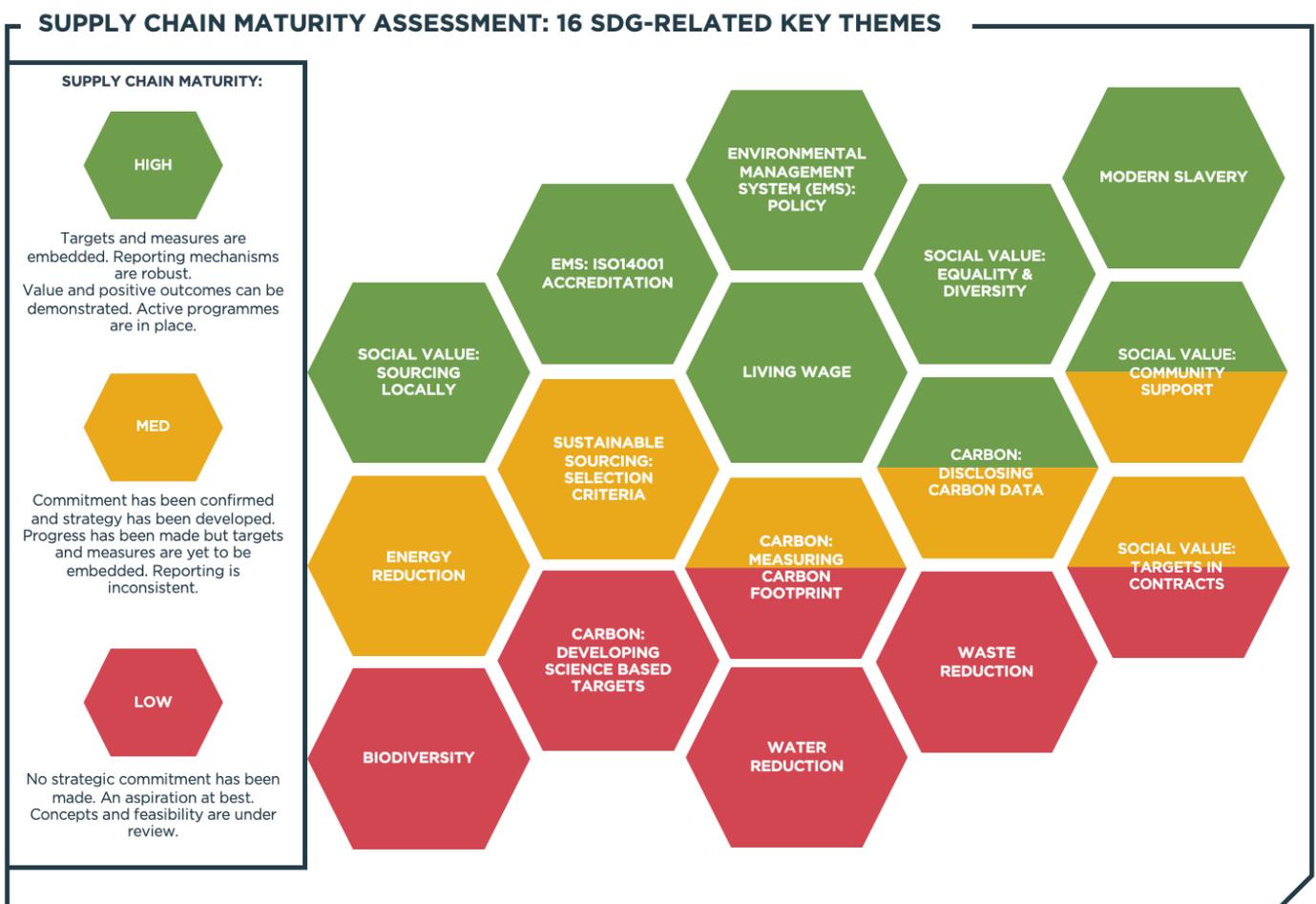
- **Supply Chain Sustainability School Membership** – Allows us to offer our staff, and our supply chain via our membership, the opportunity to upskill themselves by accessing a free learning environment with thousands of learning resources and CPD-accredited content with focus on 17 key sustainability topics.
- **Climate Academy** – We have launched the Climate Academy, a series of five online learning sessions introduced by our senior leaders and available to all colleagues. In partnership with the Supply Chain Sustainability School, the Climate Academy will provide colleagues with a rich knowledge and understanding of climate change issues and what we can do, as individuals and as a company, to combat them. In line with the key themes of COP26, the sessions shared insight on safeguarding, protecting and enhancing the environment, with an emphasis on education and awareness of climate change. With also a strong focus on social inclusion, and creating a more fair, just and inclusive society at local, national and international levels.

## SSEN Sustainable Supplier Code

We have developed an SSEN Distribution specific approach to sustainable procurement for RIIO-ED2. It is aligned with the UN Sustainable Development Goals (SDG), SSE Group approach and SSEN priority themes linked to the SDGs and the Sustainable Procurement Guidance Standard ISO 20400:2017.

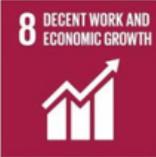
Further to this and aligned with the supply chain feedback we received in phase 1 of our RIIO-ED2 enhanced engagement programme, we developed a preliminary Sustainable Supplier Code. During late 2020/early 2021 we undertook additional supply chain engagement to test the supply chain readiness for SSEN’s ambition to allow an initial position on specific targets. The engagement was through a questionnaire and one-to-one interviews.

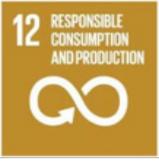
The supply chain engagement maturity level against the 16 key themes is as follows:



The engagement advised if our proposed aspirational position for each element of the Sustainable Supplier Code is deliverable, stretching or currently unattainable/unsighted for the supply chain. Where there is an elevated level of maturity, we are generally seeking a mandatory position.

Having considered the level of supply chain sustainability maturity and developed a draft Sustainable Supplier Code that was shared in the draft Business Plan submission, we further tested and refined the code to enable an aspirational position to be reached for all 16 key themes:

Sustainable Development Goals	Theme	SSEN Proposed Supply Chain requirements	
	<b>Carbon</b>	<p>By the end of the RIIO-ED2 price control period, 65% of the supply chain by spend must have their own carbon reduction policy and target in place, undertake regular review &amp; enhancement of policy including annual reporting on progress, and implement the policy by measuring its carbon footprint.</p> <p>By the end of the RIIO-ED2 price control period, 60% of the supply chain by spend must have a Carbon Disclosure Project (CDP) climate change score.</p> <p>By the end of the RIIO-ED2 price control period, in relation to Scope 3 emissions targets, 35% of the supply chain by value will have committed to setting science-based targets (SBTs) by 2026 (with a target of 55% by 2033).</p>	
	<b>Environmental Management</b>	<p>By the end of the RIIO-ED2 price control period, 80% of the supply chain by spend will have ISO 14001/EMAS in place.</p> <p>By 2025, 80% of the supply chain by spend will have an environmental management policy in place and undertake regular review &amp; enhancement of policy.</p>	
		<b>Modern Slavery</b>	All suppliers must comply with SSEN Sustainable Supplier Code and as such demonstrate they can comply with all modern slavery requirements.
		<b>Living Wage</b>	All suppliers must comply with SSEN Sustainable Supplier Code and as such demonstrate they can comply with all living wage requirements.
		<b>Sustainable Sourcing</b>	By 2025, 56% of the supply chain by spend will have a sustainable sourcing policy and as such demonstrate they have their own practices in place to meet this.
<b>Responsible Sourcing</b>		All suppliers must comply with SSEN Sustainable Supplier Code and as such demonstrate they can comply with all responsible sourcing requirements.	
<b>Social Value: Supply Chain Development</b> <b>Social Value: Local Content</b>		SSEN will utilise the mobilisation phase of our RIIO-ED2 Business Plan to undertake ongoing supply chain engagement in order to understand how we will collectively deliver Social Value, whilst ensuring that the consumer and/or SME suppliers are not disproportionately impacted.	
	<b>Social Value: Community Engagement</b>	SSEN will utilise the mobilisation phase of our RIIO-ED2 Business Plan to undertake ongoing supply chain engagement in order to understand how we will collectively deliver Social Value, whilst ensuring that the consumer and/or SME suppliers are not disproportionately impacted.	

Sustainable Development Goals	Theme	SSEN Proposed Supply Chain requirements
	<b>Social Value: Supply Chain Diversity</b>	SSEN will utilise the mobilisation phase of our RIIO-ED2 Business Plan to undertake ongoing supply chain engagement in order to understand how we will collectively deliver Social Value, whilst ensuring that the consumer and/or SME suppliers are not disproportionately impacted.
	<b>Waste</b>	SSEN will undertake ongoing supply chain engagement in order to embed the principles of a circular economy - we will utilise the mobilisation phase of our RIIO-ED2 Business Plan in order to develop the required metrics and measures, whilst fully consulting and considering supply chain needs.
	<b>Water</b>	
	<b>Biodiversity</b>	By the start of the RIIO-ED2 price control period, 50% of the supply chain by spend will have a biodiversity policy and as such demonstrate they have their own practices in place to meet this.
	<b>Energy</b>	By the end of the RIIO-ED2 price control period, 50% of the supply chain by spend will have a strategy & associated reporting in place to reduce energy consumption by 2025; and will have committed to their own annual reduction targets that they work towards and report on.

For areas where the supply chain has a lower readiness position (low as red/high as green on the supply chain engagement maturity assessment diagram e.g. as monitoring and reducing waste and water usage, biodiversity, and developing SBTs), we have now established our intended requirements of the supply chain. However, we recognise that further supply chain engagement is necessary to test these measures prior to implementing the code, and to ensure that supply organisations are not disproportionately disadvantaged from any of these required future measures.

Between draft and final submission, we have engaged further with the supply chain to:

- ensure the code is challenging, robust and deliverable and does not preclude or unintentionally adversely impact small and medium organisations from working with SSE;
- provide clarity on the level and type of support the supply chain would like from SSE;
- understand the level of appetite from the supply chain to create a working group to embed and drive sustainability improvements in RIIO-ED2 and beyond;
- assess the impact on metrics for any changes in any supply chain strategies; and
- where appropriate and possible, assess the cost impact of any of the requirements.

As outlined in our ***Environmental Action Plan (Annex 13.1)*** we have made a commitment in Output S11 that we will implement our Sustainable Supplier Code and have 80% of our supply chain (by value) signed up by end of RIIO-ED2; whilst on an ongoing basis working collaboratively with the supply chain with the aspiration to achieve 90% of our supply chain (by value) signed up by end of RIIO-ED2.

### **Realising social value through our supply chain**

We understand the value that can be created for our local communities by leveraging our position and level of investments. To support this our Group Sustainable Procurement Code requires our key suppliers and contractors to:

- have measures in place to maximise opportunities for local people and businesses close to SSE sites and the wider region;
- have in place education and employability programmes which promote the development of employee skills as well as local employment, including graduate programmes and apprenticeships; and
- form constructive local relationships so that communities have the opportunity to directly benefit from significant capital investments.

For RIIO-ED2, we aim to extend these requirements and work to evidence the social value realised within our supply chain through detailed reporting encompassing;

- group wide deployment of Sustainability Reporting tool;
- supplier bi-annual reporting to capture key social value metrics; and
- data reporting to output social value capture from site/project up to Group level.

To ensure that social value can be created without having a disproportionate impact to our Customers and Consumers, we are piloting the introduction of social value criteria in our PQQ & ITT procedures and incorporating aligned metrics and reporting in our existing supply contracts, well ahead of the RIIO-ED2 period.

# APPENDIX A: ENHANCED ENGAGEMENT

- Overview: We will work with the supply chain to improve the cost efficiency and service to stakeholders, customers and consumers, and develop a Sustainable Supplier Code that considers the sustainability maturity and the range in size of our suppliers to ensure smaller suppliers are not unintentionally disadvantaged.

## RIIO-1 context

During ED1 we made improvements to the effectiveness and efficiency in numerous areas such as through category management, consolidation of frameworks and requirements, and optimising commercial management. These initiatives either reduced cost, improved safety, or improved performance for customers and consumers. A number of projects are currently still in progress and will deliver benefit for remainder of ED1.

## ENGAGEMENT SYNTHESIS

### Engagement summary

#### Engagement details

##### Non-consumer stakeholders

We tested our **supply chain strategy** with a broad range of non-consumer stakeholders to understand their views on the **acceptability and bill impacts** of our Draft Business Plan via an online consultation event and surveys

##### Supply chain, consultants, contractors, service partners

We engaged stakeholders via an online launch event for our dedicated supply chain engagement. This provided a RIIO-ED2 overview including our objectives requiring their support, and to advise that we will now be formally requesting supply chain feedback on our performance, in addition to co-creating initial ideas on potential improvements. This was followed up with a detailed survey.

#### Insights derived

- Stakeholders re-emphasised the need for further ambition in enhancing the RIIO-ED2 supply chain strategy to include greater engagement and transparency in order to ensure innovation and efficiency would be applied to the RIIO-ED2 program, and ultimately contribute to the achievement of net zero ambitions. [\[E151\]](#).
- Stakeholders most commonly told us that, after SHE, our main priority for RIIO-ED2 should be 'Customer Service' and 'Net zero/decarbonisation' (both 18%), followed by 'Efficiency' (15%) and 'Innovation' (6%) [\[E065\]](#).
- In the survey, of the listed RIIO-ED2 Drivers, suppliers most commonly believed they could influence 'a safe, resilient and responsive network', followed by 'accelerated progress towards a net zero world' and lastly 'valued and trusted service for customers' [\[E066\]](#).
- Survey results shows that suppliers overwhelmingly placed 'quality' as the factor which their organisation regards as the most important for delivery of works/services/goods to us, placing 'repeat business' as the least important [\[E066\]](#).

- Survey results shows that suppliers told us that the top cost-efficiency opportunities could be achieved if we increase our programme visibility, facilitate earlier supplier engagement, provide a continuity of work or increase bundling of projects and support innovation and new capabilities. [E066].

## Supply Chain

At the end of Phase 2 of the Enhanced engagement, we surveyed supply chain stakeholders again to build on previous engagement and included a focus on sustainable procurement. Similar findings were gathered at a further sustainability-focused engagement.

### Supply Chain Survey

- In response to the question asking stakeholders to select their top 3 cost reduction opportunity areas from a list of 10, 'Programme Visibility' was selected the most, followed by 'Earlier Supplier Engagement', 'Continuity of Work and Bundling Projects for Tender', then 'New Supplier Capability/Innovations' [E066].
- Multiple suppliers stated that bundling projects will drive efficiency as it offers economies of scale, can reduce set-up costs and can allow for better resource deployment/sharing [E066].
- A number of proposals suggested that we should share with suppliers a visible programme of work, then the benefits to all parties of the foresight it provides are considerable. Examples cited included local training establishments mobilised to encourage local skilled labour and specialist trades to become immersed into a particular scheme, and storage of specialist plant and equipment would become standard to avoid costly and polluting transportation [E066].
- Proposals included that mutual benefits could be achieved from us asking the supply chain to sign up to decarbonisation / SBT standards, as it would provide a collective approach to monitoring and reduction emissions [E066].

### Sustainable Procurement

- 63% of respondents understood our ambitions but do not have a clear sight of future sustainability targets [E093]
- 79% of stakeholders do not have a clear view of the costs to deliver the sustainability targets. The remaining 21% represent those suppliers who have already adapted their business to deliver both sustainable solutions and targets [E093]
- Stakeholders revealed aspirations, a lack of activity and a lack of reporting across suppliers of all sizes, indicating they are relatively immature in this area. This could represent a long-term collaborative effort with the supply chain to develop science-based targets [E093].

- Almost 84% respondents seeking or have achieved ISO14001 accreditation, which is used in procurement criteria. However, it does not directly measure an organisation’s environmental performance and we should ensure additional qualitative criteria are incorporated into future tender opportunities [E093]
- 65% respondents do not currently have an energy reduction target in place; this could therefore represent an area for development and engagement with the supply chain [E093]
- A stakeholder suggested we have a budget to allow suppliers to innovate and invest in products which reduce generation of waste in the first place [E103]
- Responses to the Supply Chain Sustainability survey question on whether stakeholders were familiar with Science Based Targets (SBTs), indicated that 82% of respondents are neither familiar with, or committed to SBTs. This confirms the need for us to support its supply chain where possible, in order to help us and suppliers meet their obligations/targets [E093].
- The trends shown in our analysis of responses received in the Supply Chain Sustainability survey indicate that smaller suppliers require SSEN assistance in some specific areas, such as implementation of SBTs, waste-to-landfill targets, and development of a biodiversity policy [E093].

### LV monitoring

We also held a targeted workshop with supply chain stakeholders to understand our stakeholders’ views on LV monitoring requirements.

- When asked which other risks we should be considering when it comes to LV monitoring to inform fault dispatch, supply chain stakeholders responded with 'unbalance', 'real time EV load', 'phase identification', 'real time data for fault prediction', and 'PV (or V2G/BESS) backfeed' [E057]
- As our proposals could separate provision of LV monitors from provision of data analytics platforms, 64% respondents said they were willing to supply LV monitoring device hardware only and 74% respondents said they were willing to supply a software analytics platform only [E057]
- 56% respondents said that our preferred interface does not present a problem for their solution, while 32% stated they would require more information. 69% respondents said that the requirement to connect to our preferred interface does not discourage them from tendering for the supply of LV monitoring equipment to us [E057]
- 80% of respondents stated a preference for a procurement approach comprising provision of LV monitoring device hardware and software analytics platforms separately [E057]

	<ul style="list-style-type: none"> <li>93% of stakeholders in the supply chain LV Monitoring Engagement said that they were very likely to put forward a bid during the formal tender opportunity [E057].</li> </ul>
<p><b>Telecoms</b></p> <p>We engaged the telecoms supply chain via a workshop to ensure we are efficient and on track to achieve our RIIO-ED2 objectives</p>	<ul style="list-style-type: none"> <li>97% of stakeholders stated that they would be able to accommodate our proposed approach, given the high-level view of how a project is delivered for us. [E058]</li> <li>Budget and timescale were identified as useful information for stakeholders in responding to future tenders in addition to example work packager and requirement specifications. [E058]</li> </ul>
<p><b>Housing developers</b></p> <p>We engaged stakeholders via an online workshop to co-create our Climate Resilience Strategy and Environmental Action Plan using audience research</p>	<ul style="list-style-type: none"> <li>It was raised that some of our supply chain is neither local nor British – materials come from China or Greece; workers come from Ireland. Only certain supply categories contribute to our carbon footprint reporting. [E103]</li> </ul>
<p><b>Environmental groups</b></p> <p>We engaged stakeholders via an online workshop to co-create our Climate Resilience Strategy and Environmental Action Plan using audience research</p>	<ul style="list-style-type: none"> <li>We were questioned about our sustainable procurement process to sit alongside our plans for resource use and waste which runs throughout the supply chain [E103]</li> </ul>
<p><b>Charity/NGO representatives</b></p> <p>Annual stakeholder workshops including RIIO-ED2 topics from our Southern England Licence Area. The feedback received co-created the development of our sustainability strategy and environmental action plan.</p>	<ul style="list-style-type: none"> <li>We were told that because of our position between suppliers/supply chain and customers, we can influence sustainable practices, so we need to look at how to leverage that to encourage change beyond our own carbon footprint [E071]</li> </ul>
<p><b>Stakeholder Advisory Panel</b></p> <p>SSEN stakeholder advisory panel discussion on different aspects of our RIIO-ED2 business plan progress, such as stakeholder engagement and sustainable procurement.</p>	<ul style="list-style-type: none"> <li>Stakeholders raised concerns about how additional questions on sustainability could impact smaller suppliers and their ability to tender [E073]</li> <li>Stakeholders discussed the cost of additional activity/focus on sustainability as part of the tendering process and potential impacts on consumer bills. We were advised to be mindful of this and that the ‘currency’ of how sustainability is valued is not just monetary [E073].</li> </ul>

## Contractors

We engaged contractors in our supply chain about our Draft Business Plan Supply Chain Strategy through bilaterals and via our online consultation event with follow-up survey

- Contractors felt material price rises and logistics challenges (re Brexit and Covid), and resource availability and skillsets were key risks that require consideration. Other stakeholders added that commercial risks should be shared appropriately. In order to address these, stakeholders felt we need to 'want innovation' and be prepared to change. [\[E165\]](#)
- One Contractor felt it was essential to optimise systems benefits which is a 'transformational program in itself'. [\[E165\]](#)
- Contractors agreed that, where possible, the drive to move from tactical work allocation to strategic programme approach would allow for more effective delivery and retention of resources and wanted to work with us to improve efficiency, safety and service to the customer, consumers and stakeholders. [\[E165\]](#)
- A contractor highlighted that a shortage of skills is a massive problem across this entire industry. We need to take this decline into account in planning and projections. From a supply chain perspective this is the biggest challenge to face. [\[E151\]](#)
- Contractors mentioned key skills shortages in areas such as Senior Authorised Persons (SAPs), Communication Engineers, Project Managers, Jointers and that Supply chain face similar challenges regarding future resource requirements, therefore committed volumes and recruitment drive are needed. [\[E165\]](#)
- Contractors working on overhead line services noted that they required more commitment on a contractual level that will enable them to safely invest in training for staff. Need for more stable investment via the provision of continuity of work. [\[E151\]](#)

## Non-consumer stakeholders

We tested our **Supply Chain Strategy** with a broad range of non-consumer stakeholders to understand their views on the **acceptability and bill impacts** of our Draft Business Plan via an online consultation event and surveys

- A supply chain stakeholder wanted more engagement, certainly with our engineers. "We think we can improve things greatly and reduce the cost levels." [\[E151\]](#)
- Another supply chain stakeholder claimed that they were already looking to plan 5-8 years. "We want to do pre-planning route clearances. The way we currently operate is very much last minute. I think a lot of engagement before you start to look at the projects is incredibly useful. We can then use our technology to best plan. From our experience, the sooner you engage with us the better it becomes, and more cost-effective. We can plan our assets around your projects. It drives thoughts and we can then give you our own thoughts." [\[E151\]](#)

	<ul style="list-style-type: none"> <li>• Another supply chain stakeholder added that, from the construction timetable process point of view, if the programme of works is communicated to them in advance, then they can ready themselves for that. <a href="#">[E151]</a></li> <li>• A supply chain stakeholder noted that they have worked a lot on maintenance and repairs of subsea cables and noted that there is a big opportunity to reduce the overall cost through innovation. They thought there seemed to be reluctance on the part of the engineers and questioned how this will be considered and monitored in RIIO-ED2. <a href="#">[E151]</a></li> <li>• Another supply chain stakeholder who works closely with us noted that there is a lot that can be done to reduce the costs of subsea cables, including using lessons learned elsewhere and innovations. <a href="#">[E151]</a></li> <li>• One storage and renewables stakeholder suggested we work with suppliers so that they understand that our S3 emissions will be their S1&amp;2 emissions and that we introduce policy into our procurement processes that require suppliers to act. They felt this will help drive the market, include S3 credentials etc. within our award criteria. <a href="#">[E155]</a></li> </ul>
<p><b>Next generation bill payers, fuel-poor customers, customers in vulnerable situations and medium business customers</b></p> <p>We tested the sustainability element of our <b>Supply Chain Strategy, outputs and costs</b> through qualitative focus groups involving fuel poor, future, vulnerable and business customers to get insights into the <b>acceptability and affordability</b> of our Draft Business Plan</p>	<ul style="list-style-type: none"> <li>• The Sustainable supplier code was mentioned by English <b>future customer</b> participants as being important to focus on. <a href="#">[E156]</a></li> <li>• When asked to prioritise the output ‘We will sign up 80% of our supply chain (by value) by 2028’, 42% of customers in the South and 33% in the North felt this was a medium priority, 35% in the South and 35% in the North said it was high priority, and 24% in the South and 31% in the North said it was low priority. <a href="#">[E170]</a></li> </ul>
<p><b>Domestic customers (including those in vulnerable situations and future bill payers)</b></p> <p>We gathered consumers’ views on our Draft Business Plan via surveys and engaged deliberatively via a Citizens’ Jury</p>	<ul style="list-style-type: none"> <li>• Domestic customers were impressed by our plans on the supply chain sustainability code, felt we were leading by example, and other similar organisations should be looking to us as a standard-setter for how to support sustainability throughout the value chain. <a href="#">[E149]</a></li> <li>• Domestic customers questioned how we can accurately measure their impact on natural capital and emissions, both internally and throughout their supply chain, querying how we would know the implications of those emissions for public health. <a href="#">[E149]</a></li> </ul>

- One domestic customer from southern England appreciated how we are helping the smaller companies put in place their own policies and how that could be really positive for filtering down the supply chain and through to other businesses. [\[E149\]](#)
- One domestic customer from southern England felt that being a large company, we should be doing all they can to lead by example especially as SMEs do not have the luxury of being able to invest in research and strategies. Therefore, sharing findings and educating transparently on best practice will be most beneficial to everyone. [\[E149\]](#)
- Domestic customers championed the importance of providing adequate financial and training support to SMEs to ensure they are compliant with sustainability requirements. [\[E149\]](#)
- Domestic customers felt it was key that the code avoided discriminating against smaller businesses who might not meet certain requirements due to a lack of support/funding noting that job losses should be avoided if larger organisations take over the contract. [\[E149\]](#)
- In order to avoid issues raised above, Domestic customers emphasized the importance of the combination of training, guidance, financial support and well thought out metrics differentiate between small and large companies. [\[E149\]](#)

## ENGAGEMENT STATISTICS



ED2 ENGAGEMENT EVENTS

16



INSIGHTS

71



STAKEHOLDERS ENGAGED

2,033

## STAKEHOLDER SEGMENTS ENGAGED

CONSUMERS	Domestic customers	Customers in vulnerable situations	Transient customers	Next generation bill payers	SMEs	Major energy users	
CUSTOMERS	Distributed generation customers	Builders and developers	Community energy schemes	Landowners/farmers			
POLICY MAKERS AND INFLUENCERS	Government	Research bodies, policy forums and think tanks	Media	Consumer groups	Regulators		
COMMUNITIES AND LOCAL DECISION MAKERS	Local authorities	Charities	Academic institutions	Housing associations			
	Vulnerable customer representatives	LEPs	Emergency response	Healthcare	Community interest bodies		
WIDER INDUSTRY AND VALUE CHAIN	DNOs	Transmission	GDNs	Water	Telecoms	IDNOs	
	ICPs	Consultants	Energy suppliers	EV charging	Other supply chain	Storage and renewable providers/installers	Transport and highways agencies
PARTNERS AND ENABLERS	Current and future employees	Contractors	Service partners	Shareholders	Investors	Business advisers	Trade unions

## EVIDENCE ASSESSMENT

### ENGAGEMENT SCORING KEY

The engagement score assigns a weight to each source accounting for the robustness of the engagement event and the relevance of the feedback to the topic.

Overall score	Description
1-1.66	Limited evidence of good event planning, methodology or data collection. Feedback provided is high level with tangential relevance to the topic.
1.67-2.33	Good evidence of engagement planning and discussion of data collection methods, but limited depth of feedback and range of opinions. Feedback not necessarily fully aligned to the topic and only provides a limited insight and thus moderately useful.
2.34-3	Well-conducted, trustworthy event with highly relevant feedback. Specific, clear and relevant information with clear link to the topic discussed and high value added.

Phase	Date	Event ID	Event name	Key stakeholder groups	Number of stakeholders engaged	Engagement score
Phase 4: Testing and Acceptance	Oct-21	E153	Employee Consultation Document Engagement on Draft Plan	Current and future employees	3	1.8
	Oct-21	E155	Stakeholder Consultation Document Engagement on Draft Plan	Community interest groups, storage and renewables suppliers, emergency response, healthcare and highways agencies	19	2.3
	Sep-21	E151	Consolidated Outputs and Costings Event	Contractors, Consultants, Local Authorities, National Government, Storage and Renewables suppliers, Supply Chain	106	3.0
	Sep-21	E152	Academic Panel	Academic Institutions	7	2.0
	Sep-21	E170	Microsite survey on Costed outputs	Domestic Customers, Vulnerable Customers and Future Customers	1,298	2.2
	Sep-21	E175	Flexibility CVP Expert Event	Community Energy Schemes, Charities, Local Authorities,	31	2.0
	Aug-21	E165	Supply Chain Bilaterals	Contractors	43	2.5
	Jul-21	E149	Citizens' Jury	Domestic Customers	34	3.0

*No feedback on Supply Chain during Phase 3: Business Plan Refinement*

Phase 2: Co-creation	Mar-21	E103	Sustainability Workshop	Local authorities, consultants, contractors, distributed generation customers	27	2.5
	Jan-21	E058	Telecoms Supply Chain Workshop	Telecoms	59	2.5
	Mar-21	E093	Supply chain survey and follow-up 1-1s on sustainable procurement	Other supply chain	80	2.5
	Nov-20	E065	Supply chain engagement launch event	Contractors, consultants, other supply chain, service partners	90	2.5
	Nov-20	E066	Supply chain engagement launch event follow on survey	Other supply chain	100	2.5
	Oct-20	E057	LV Monitoring supply chain workshop	Other supply chain	21	2.5
	Oct-20	E073	SSEN Stakeholder Advisory Panel	Business advisors	6	1.5
	Sep-20	E071	Annual Stakeholder Workshops - South	Local authorities, housing associations, water, vulnerable customer representatives	109	2.5