

Sustainability strategy

2023



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Foreword

While decarbonisation continues to be a growing focus across the UK and beyond, we're seeing a changing picture for the communities in our region; a cost-of-living crisis and rising energy prices is squeezing household budgets; political upheaval creates uncertainty for all; and extreme weather due to climate change has a growing presence in our lives.

With all of us seeing the increasing impact of extreme weather, as an organisation, we remain focused on embedding resilience throughout our network and operations to keep the lights on in the face of an ever-changing climate. As well as ensuring reliable and resilient power for our 3.9 million homes and businesses, we know we have a critical role to play in our communities as we face our greatest challenge – climate change. Delivering a future-ready network that enables our region's net zero transition is the main priority for our business in serving our customers.

Many of us have already been impacted by the effects of climate change, and as we look towards local and national net zero goals we know how important our role is in creating a sustainable future. The frequency of extreme weather events impacting our region gives us a clear insight into the impacts of the climate emergency, and the growing affect it will have on our lives and our energy system if we don't continue to put decarbonisation at the heart of our strategy.

All of us within Northern Powergrid have a vital role to play in responding to this climate crisis. We must manage a network that enables the widespread deployment of new low carbon technologies to help our customers to move away from a system that relies on the fossil fuels that have

in part caused the cost of living crisis that is impacting day-to-day lives for so many of our communities.

We play a prominent role in our region through the investments we make and the services we provide, focusing on targeting this investment to solve both the climate and cost-of-living crises, as we manage a resilient network and build a secure, green energy system for the communities we serve. This strategic approach will help to stimulate economic growth while also putting our region on track to achieve its net zero emissions' targets.

Our activities impact the people we serve in more ways than one. We closely manage the impact our operations have on the natural environment and work to continuously improve our performance. Social equality is very important to us; we believe the transition to a low-carbon future should be fair and bring social, economic, and environmental benefits to everyone. And the performance and resilience of our network underpins the economic prosperity of our region.



Paul Glendinning
Director of Energy Systems

Executive summary

We want to be a cornerstone of an energy system that enables an exciting transformation; combating climate change and building a more sustainable future for our customers and communities now and for generations to come.

We serve 8 million customers across a socially, economically, and geographically diverse region. We recognise the privileged position we are in, and the responsibility that comes with it. As an infrastructure provider and an anchor organisation, we have a key role in delivering a sustainable, low-carbon future for our region.

In this document, we are aiming to provide stakeholders with our approach to achieve this goal by taking a holistic view on our activities.

To us, *sustainability* means taking a long-term view on everything we do. Our strategy has three key pillars:

<p>Environmental</p>  <p>Protecting our environment for the benefit of future generations, driving and facilitating decarbonisation and adapting to climate change.</p> 	<p>Social</p>  <p>To be force for good for our colleagues and communities; developing, supporting, and protecting them.</p> 	<p>Economic</p>  <p>Creating a long-term value through sustainable growth and keeping bills affordable for our customers.</p> 
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Our vision for the future

To be a cornerstone of an energy system that enables an exciting transformation; combating climate change and building a more sustainable future for the next generation.



We have outlined our commitments to deliver benefits for our customers by taking action to meet net zero emissions' targets, delivering the green recovery, supporting our communities, and reducing the impact we have on environment. Key among these are actions are:

- Reducing our business carbon footprint
- Enabling our customers and communities to decarbonise
- Making a positive contribution to the communities where we live and work
- Developing a skilled and inclusive workforce to meet the decarbonisation challenge
- Realising the opportunities of decarbonisation in Yorkshire and the North East

Sustainability is a journey of on-going self-reflection. We want to continue the dialogue with our stakeholders to refine our approach to sustainability, collaborating and working together to amplify the positive outcomes of our collective actions.



At Northern Powergrid, we have an essential role to play in creating a clean, green energy system that works now, and for generations to come. Our colleagues are a vital piece of the puzzle when it comes to this decarbonisation journey. They are committed to making a greater impact with the resources we have, and making a difference for the communities where they live and work.

Jodie Coe
Director of People and Change



About us

We are responsible for the electricity network that distributes electricity from power stations and smaller generators to 8 million customers across the North East, Yorkshire, and northern Lincolnshire.

We serve a diverse region through more than 64,000 substations and over 96,000km of overhead power lines and underground cables, spanning c.25,000 square km.

We have a dedicated team of around 2,600 colleagues and we are a business that works 24 hours a day, 365 days a year – no matter what the circumstances – to maintain a safe, reliable and efficient electricity supply.

Our customers pay their energy supplier for the electricity they use. A proportion of the money they pay as part of their electricity bill (around £100 per year¹ on an average domestic customer bill) comes to us to cover the cost of keeping the network running safely, reliably, and efficiently.

We are part of the Berkshire Hathaway Energy (BHE) group². From their roots in renewable energy, BHE's portfolio consists of locally managed businesses that share a vision for a secure and sustainable energy future. These businesses deliver an affordable, safe and reliable service each day to millions of customers around the world and consistently rank high among energy companies in customer satisfaction.

BHE's core principles define our values and our vision – today and for the next 100 years. They are:



Customer service



Employment commitment



Environmental respect



Regulatory integrity



Operational excellence



Financial strength

As part of Berkshire Hathaway Energy our vision is:
To be the best energy company in serving our customers while delivering sustainable energy solutions.

1. The amount of revenue that we recover from our customers is defined by our regulator, Ofgem through a price control review process and our performance is monitored on a yearly basis, from 1 April to 31 March. The next five year period is called RIIO-ED2 and lasts from 2023 to 2028.
2. Find out more from: <https://www.brkenenergy.com/about-us/>

Environmental sustainability



We have a strong record on managing our environmental performance. We continue to outperform on our targets and challenge ourselves still further by setting more stretch targets.

We know that enabling decarbonisation and delivering an environmentally sustainable network are two top priorities for our stakeholders.

The latter includes driving continuous improvement across our operations: reducing waste, reducing pollution, fostering biodiversity, and taking action to become a carbon-neutral business.



Find out more in our annual [Environment Report](#)



As of 2021...



>40%

reduction of emissions



50%

reduction of oil loss



70km

of overhead electricity lines in AONB now underground



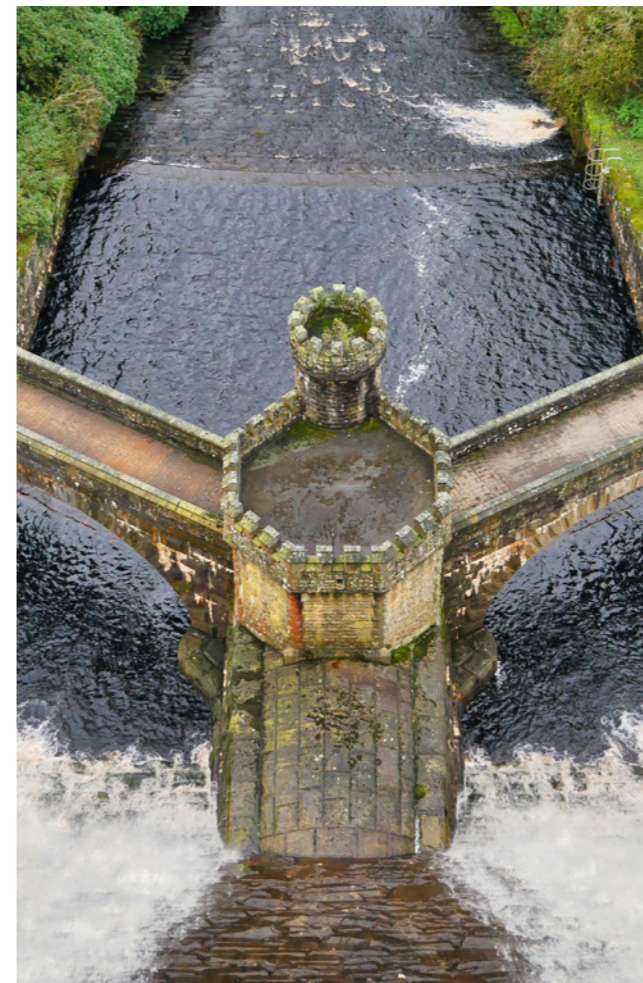

Even more significant is our role in enabling others to achieve their net zero emissions' targets. By 2028, the end of our next price control period, the country needs to be well on the way to meet its net zero target.

This is one of the most significant transformations for our industry in generations and we have a key leadership role to play.

This transition will see our role changing from a Distribution Network Operator (DNO) to a Distribution System Operator (DSO). We will manage our network more actively and provide a trusted and neutral platform to enable each unit of low-carbon energy to be used at the least cost for the benefit of our customers. We have a clear sense of where we are going and what kind of solutions will get us there, but the exact details of how we will make the transition remain open.

We are committed to support our colleagues along the way.

- We will retain the benefits from the adjustment made to our business during the pandemic, leverage technology and promote more flexible working to target 15% reduction in business carbon footprint

Find out more in our [DSO Strategy](#)



Our environmental sustainability commitments are:

Our environmental sustainability commitments	We will do this by...	Medium-term targets/metrics (by 2028)
<ul style="list-style-type: none"> — Reducing our business carbon footprint — Enabling our customers and communities to decarbonise — Minimising the impact of our business on the environment and encouraging biodiversity — Protecting our assets against the impact of climate change; minimising disruption to our customers 	<ul style="list-style-type: none"> — Managing our net carbon emissions and electrifying our fleet — Improvements in biodiversity — Reducing oil loss from our network — Improving visual amenity – undergrounding overhead lines — Raising awareness about the transition to net zero — Working with contractors to reduce their carbon footprint — Enhanced cross-sector collaboration and investment for climate change adaptation — Delivering services to support low carbon technology roll-out — Agreeing our role as a Distribution System Operator (DSO) to optimise the local energy system — For scope 3 emissions we will start regularly collecting data for the applicable scope 3 emissions categories so we can establish a robust, multi-year baseline. These will inform the actions we will take to drive meaningful and actionable steps to reduce emissions resulting from our operations 	<ul style="list-style-type: none"> — Carbon neutral by 2040 — 20% reduction in controllable internal Business Carbon Footprint — 40% fleet vehicles ULEV/ ZEV — Monitor our supply chain emissions to establish a scope 3 baseline — 200 sites with net biodiversity gain — 90% suppliers compliant with supply chain code — 15% less oil lost to ground from fluid filled cables — 90% of waste diverted from landfill — 73 km of overhead lines removed from national parks and AONBs — 6 people supporting Local Area Energy Plans — 75% of HV network with enhanced resilience to high winds — 100% of high risk substations protected to flooding in line with ETR138 guidance



We are always striving to outperform our ambitious environmental targets. As an anchor organisation within the community, we know we play a central role in moving away from a system that relies on fossil fuels, by working with partners and stakeholders to bring on the most innovative technologies and solutions – all at a lower cost to our customers.

Paul Black
Head of System Engineering



Social sustainability




Every member of our team is part of their community and they advocate for our business to be a force for good.

We have a far-reaching impact on the communities we serve and we have a desire to do more. We have developed our partnerships with local organisations to provide advice and specialist support on a range of areas for our customers – such as safety awareness, vulnerability, affordability, fuel poverty and local sustainability.

 [Read more about how we are supporting our communities](#)

 [Read more about our support for vulnerable customers in Stakeholder Engagement and Consumer Vulnerability \(SECV\)](#)

 [Read more about our Priority Services Membership](#)

As of 2021...



900,000

households on the PSM



1.5m

vulnerable customers in the region



32,000

customers supported in fuel poverty



250,000

customers reached through targeted communication and community outreach



744

referral partners established across the region



We know the next few years are likely to be even more important as we deal with a changing economic and social climate as well as the climate emergency.

We are acutely aware that different people will be affected in different ways, they will respond to decarbonisation and the benefits are unlikely to be evenly spread across the population. We are keen to play our part in ensuring a just transition to net zero.

Our Workforce Renewal and apprenticeship programme will continue to be a key feature in maintaining resilience in our workforce and bringing new talent into the business.

Like the whole utilities sector, we know we have work to do on the issue of our gender pay gap and increasing the diversity of our workforce. Our aim is to build the diversity of our workforce to better reflect the communities we serve through more a series of comprehensive and targeted recruitment programmes.

 [Read more about how we are supporting community energy in our Community Energy Engagement Strategy](#)

 [Read more about socially inclusive transition to DSO](#)



Our social sustainability commitments are:

Our social sustainability commitments

- Making a positive contribution to the communities where we live and work
- Playing our part in a socially inclusive transition to net zero
- Developing a skilled and inclusive workforce to meet the decarbonisation challenge

We will do this by...

- Workforce that reflects the communities we serve
- Improving the lives of our communities
- Advocating for fairness in energy transition
- Additional services to our most vulnerable customers
- Tailored social programme alongside major investments
- Fostering and facilitating green jobs
- Development of skills
- Promoting STEM subjects and energy careers in schools
- Taking a proactive approach to safety



Medium-term targets/metrics (by 2028)

- 50% of our major investment schemes to have bespoke social programmes in our local areas
- 5,650 hours of colleagues volunteering in the ED2 period
- 49% of decile 1 pupils in our region supported with energy careers and STEM skills education
- 100,000 customers in fuel poverty supported with affordability services in ED2
- >93% Broad Measure of Customer Satisfaction Score
- 6 community energy advisors
- 45 community energy schemes supported
- 55,000 school age children engaged on safety awareness programmes
- 70% of eligible high risk customers recruited to Priority Service Membership
- 75% of customers provided with enhanced support on site for >6 hour power cuts
- 1,000 new job roles



“

Being a force for good in the places we serve will always be important to us. We're passionate about delivering strong outcomes in partnership with local communities, and developing social initiatives that are completely tailored to their needs and values.

Siobhan Barton
Head of Stakeholder Relations

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Economic sustainability



Financial excellence and regulatory integrity are two of our six core principles and they are critical to ensure a long term and sustainable future for our business.

We invest £1 million in our network every day, much of which finds its way into the local economy through the supply chain.

We are immensely proud to provide an essential service in our communities and make a significant contribution to the level of economic activity in the north of England.

Our recruitment and training programmes are a significant way in which we can support our northern economies by providing well paid, high skilled jobs that offer exciting long-term career opportunities. Over the course of ED2 (2023-2028) we will have created a 1,000 new job opportunities onto our workforce. We will strive to provide opportunities, for those industries put at risk as a result of decarbonisation in northern England.

Keeping bills low for our customers and providing value for money means constantly challenging ourselves to be more efficient in how we deliver our services. In our RII0-ED1 business plan we committed to deliver 'more for less' and we are on track to generate over £256m worth of efficiencies within the price control.

In 2020, we were the first UK DNO to issue a green bond securing £300m of and creating a finance framework that will power investment in projects that enable and support the take-up of low-carbon energy as well as lowering its environmental impact.



Today, we have an opportunity to play a key part in the national priority to stimulate investment and economic growth in our region.

As well as helping to recover from the impact of the cost of living crisis, it also helps to narrow the opportunity and prosperity gap that has existed for far too long between different parts of our country.

Our objective is to boost investment in our network to set the region on the right track for achieving the UK Government's net zero goal by 2050, while remaining flexible enough to adapt our plan to changing requirements in the longer term.

[Read more about how we are supporting the Green Recovery](#)

[Read more about our green bond](#)
[A framework for decarbonisation](#)



c.£1m

invested in our network everyday



1,000

new job opportunities created by 2028



In 2020

we were the first UK DNO to issue a green bond, securing £300m of sustainable investment.



Our economic sustainability commitments are:

Our economic sustainability commitments	We will do this by...	Medium-term targets/metrics (by 2028)
<ul style="list-style-type: none"> — Realising the opportunities of decarbonisation in the north of England — Keeping downward pressure on costs on customer bills by being efficient and advocating for fair outcomes for our customers — Working with our supply chain and other partners to develop and deliver sustainable practices, products and services — Collaborating to address fuel poverty and home energy efficiency 	<ul style="list-style-type: none"> — Delivering value for money services — Fostering economic development in region — Supporting a local, greener, cheaper electricity supply — Supporting the Green Recovery — Integrating sustainability into our investment decisions — Working with central government and regulators to alleviate fuel poverty and improving the access to clean technologies for everyone — Ensuring we make efficient investment decisions in partnership with stakeholders — Sustainable, transparent and value for money procurement — Understanding long-term distributional impact and advocating fairness — Innovating for affordability — Supporting the growth of the sustainable debt market — Leveraging socio-economic benefits of decarbonisation — Playing our part in society by contributing through tax 	<ul style="list-style-type: none"> — Regular and transparent reporting under our Framework for Decarbonisation — Creating 1,000 job opportunities — Supporting the Green Recovery — Support at least 20,000 of our most vulnerable customers with energy affordability advice each year — 90% suppliers adhering to responsible procurement charter — Sustainable procurement policy developed and ISO20400 guidance adopted



With increasing financial pressures on the communities we serve, we are committed to a just, sustainable transition. The decarbonisation of our systems is an opportunity to not only move to a local, greener, and cheaper electricity supply, but also for new skills and roles within our organisation, as we aim to create 1,000 new job opportunities for local citizens.



Owen Sutherland
Head of Capital Markets
and Growth

Supporting the United Nations SDGs 2023 targets/metrics

The UN SDGs are globally recognised as a blueprint for sustainability. The 17 goals are made up of targets that all states are seeking to achieve by 2030, integrating and balancing social, economic, and environmental sustainability. These goals cover a range of issues that are

at the heart of our society – including health, education, equality, climate change and forest preservation – which are all central tenets of our work and strategy. That’s why we’ve chosen to measure and report our progress against these goals.



Environmental



Core commitments	Secondary commitments	2028 Targets/metrics	SDG supported
Enabling our customers and communities to decarbonise 	Take a whole energy system approach for managing net carbon emissions	Develop our propositions for energy system optimisation in our ED2 Business Plan	7 AFFORDABLE AND CLEAN ENERGY
	Engage in dialogue with our stakeholders and policy makers to agree our role as a DSO to optimise the local energy system as well as the investment required to achieve the UK's net zero by 2050 target	Continue engagement to define our role	11 SUSTAINABLE CITIES AND COMMUNITIES
	Enable customers, regional leaders and key industries to connect low carbon technologies and decarbonise	Continue to support LCT connections across region	11 SUSTAINABLE CITIES AND COMMUNITIES
Reducing our business carbon footprint 	Achieve our carbon footprint reduction commitments to become a carbon neutral business by 2040	20% reduction in controllable internal Business Carbon Footprint 15% reduction in SF6 loss	7 AFFORDABLE AND CLEAN ENERGY
	Introduce new electric vehicles to our fleet and more charging points at our sites and explore the installation of solar panels at our depots and substations to reduce our own electricity consumption	Increase ultra-low emission vehicles (ULEVs) on fleet to 40% by 2028	7 AFFORDABLE AND CLEAN ENERGY
	Work with contractors to reduce their carbon footprint and adopt our low carbon strategies	Produce a plan for becoming a carbon neutral business	7 AFFORDABLE AND CLEAN ENERGY
Minimising the impact of our business on the environment and encouraging bio-diversity 	Enhanced cross-sector collaboration and investment to build resilience to flooding, high winds and future climate adaption challenges	We are on track to deliver 211 flood defence upgrades by 2023, allowing us to reduce our costs in the 2023-28 period.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES
	Reduce oil lost from our network by further increasing our use of Perfluorocarbon tracers which we add to fluid-filled cables to detect leaks and accelerating the rate at which we remove fluid-filled cables from our network	15% less oil lost to ground from fluid filled cables 40km of fluid filled cable replaced	11 SUSTAINABLE CITIES AND COMMUNITIES
	Use land at our sites to drive improvements in biodiversity	200 sites with biodiversity gain	11 SUSTAINABLE CITIES AND COMMUNITIES
	Extend our undergrounding programme to also cover areas outside of designated Areas of Outstanding Natural Beauty (AONBs)	73km of overhead lines undergrounded in AONBs	11 SUSTAINABLE CITIES AND COMMUNITIES

Social



Core commitments	Secondary commitments	2028 targets/metrics	SDG supported
Playing our part in a socially inclusive transition to net zero 	Being there when you need us; Providing additional services to our most vulnerable customers	80% satisfaction with Priority Services Membership (PSM) services	
	Advocate for fairness in energy transition	N/A	
	Act as guardians of equality, equity and service and must champion clean energy for all	Developing regional Community Energy advisors to support local community energy projects	
Making a positive contribution to the communities where we live and work 	Take a proactive approach to safety	55,000 school age children educated in electrical safety 7% of our colleagues volunteering annually in skills based opportunities	
	Help develop skills and nurture talent to improve the lives of our communities through our education and safety programmes.	£50k fund to support local Community Energy initiatives	
	Promote our Community Partnering Fund which supports local community groups and charities to deliver grassroots initiatives including support for fuel poverty, electrical safety, STEM, PSM and COVID-19 impacts.	50% of our major investment schemes to have bespoke social programmes in our local areas	
Developing a skilled and inclusive workforce to meet the decarbonisation challenge 	Foster and facilitate the creation of green jobs and development of skills for low-carbon future	Create 1,000 new job opportunities through expansion of our Workforce Renewal and apprenticeship programmes	
	Build the diversity of our workforce to better reflect the communities we serve	A new target introduced	
	Collaborate with industry and academic partners to promote STEM (Science, Technology, Engineering and Mathematics) subjects and energy careers in schools	More than 800 school pupils educated on energy careers and STEM skills	

Economic





Core commitments	Secondary commitments	2028 Targets/metrics	SDG supported
Realising the opportunities of decarbonisation in the north of England 	Support the regional economic development and a Green Recovery	Full regional support offered	
	Support a local, greener, cheaper electricity supply	Implement and report on the actions outlined in our Community Energy Engagement Strategy	
	Play our part in society by contributing through tax	Regular and transparent reporting on company accounts	
	Integrate sustainability into our investment decisions and support the growth of the green debt market	Regular and transparent reporting as part of our Green Finance Framework	
Keeping downward pressure on costs by being efficient and fair and advocating for fair national policies on how costs are shared between customer groups 	Understand the long-term distributional impact and advocating fairness	Continue our engagement with future customers, working with schools, colleges and universities	
	Increase the efficiency of our investment and deliver value for money services	41% increase in investment for an 8% increase on the bill' (see BP P16)	
	Innovate for affordability and roll-out flexibility as a means to defer more expensive network expenditure	Potential roll out of innovative voltage optimisation solution to 110 primary substations across the network in the 2023-28 period if trial successful	
Working with our supply chain and other partners to develop and deliver sustainable practices, products and services	Leverage socio-economic benefits of decarbonisation and take a leading role in community energy	6 community energy advisors recruited	
	Deliver sustainable, t and value for money procurement	Sustainable procurement policy developed and ISO20400 guidance adopted 90% suppliers adhering to responsible procurement charter	
Collaborating to address fuel poverty and home energy efficiency 	Advocating and deploying a socially inclusive customer flexibility offer	A holistic flexibility cost benefit analysis tool developed jointly with the industry working groups	
	Help improve the homes and lives of our customers by providing far reaching and innovative solutions to energy affordability challenges	20,000 of our most vulnerable customers supported with energy affordability service	
	Work with central government and regulators to promote initiatives that alleviate fuel poverty and improve access to clean technologies for everyone.	Provide inputs to at least 5 relevant consultations or calls for evidence	

Our next steps

In this report, we have outlined our vision and the core commitments which we will deliver. We have also outlined our targets and metrics for the short-term: 2020-2023. However, our sustainability journey does not stop there.

Our new price control period, RIIO-ED2 (2023-2028), started on 1 April 2023 and will mark another stage in our development as a long-term, sustainable business. While we are consulting all of you on the detailed targets for this five-year period, we remain committed to evolve and refine our approach to sustainability in the here and now. We will:

 Be an advocate for a fair transition to net zero	Target 
We will use our position and resources in the energy sector to advocate for fair and just outcomes that bring benefits of the net zero transition for everyone, not leaving anyone behind	Ongoing
We will ensure that we support local governments, businesses, communities and customers on their journey to achieve net zero targets by sharing information to raise awareness and to provide services to support them	Ongoing
We will work with the government, our regulator and our stakeholders to facilitate a Green Recovery, stimulating the local economy with strategic infrastructure investment which supports the net zero transition	Ongoing
 Collaborate	Target 
We will continue to set up new partnership and develop the strength of existing relationships to unlock synergies to support the UN Sustainable Development Goals. As part of it, we will seek to learn from others and practice-share	Ongoing
We will continue to engage our stakeholders on sustainability to ensure the priority target areas remain relevant in a changing world and identify opportunities for improvement	Ongoing
We will be transparent in setting our targets and co-create our plans with our stakeholders	Ongoing
We will develop a plan for continuous colleague engagement on sustainability	2023
We will enable our colleagues to adopt a sustainable and decarbonised lifestyle	2024
We will work with our supply chain and contractors to amplify positive outcomes for our communities	2028
We will explore the opportunities to provide secondments and placements within and outside our organisation	2028
 Seek continuous improvement	Target 
We will refresh our strategy and seek to continuously evolve our approach and stretch our targets	2023
We will set an ambitious target and create a plan for increasing workforce diversity, including invisible diversity, to reflect the communities we serve	Ongoing
We will include our colleagues in working to support the SDGs, championing them, and will listen to their suggestions for ongoing improvement - big or small	Ongoing
We will explore ways to develop a comprehensive, streamlined reporting process on the outcomes delivered by the actions we are taking	2023
The CBAs we use will net social benefit (social and environmental costs)	Ongoing



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