

Northern Powergrid Independent Customer Engagement Group

Interim report

October 2020

Executive Summary

1. The Northern Powergrid Independent Customer Engagement Group (CEG) exists to scrutinise the company's developing business plan and to report to Ofgem and publicly on how well it meets the needs and priorities of its consumers. The purpose of this interim report is to provide a public record of the early work of the group, up to the point where the company is launching a major public consultation on the development of its draft business plan for RIIO-ED2.
2. The CEG was formed by Northern Powergrid in line with Ofgem's requirements for enhanced engagement. Its Chair and Members were selected following open competition and, in view of the nature of our role, we have agreed to adopt the Nolan principles which govern standards in public life. The group maintains a website (<https://ceg.northernpowergrid.com>) with records of our discussions, information about members, etc.
3. The group has been meeting regularly since its formation late last year. While the COVID-19 pandemic has meant that our discussions since March have been held by video conference rather than face to face it has not materially affected our scrutiny work. We have had good support from both Northern Powergrid and Ofgem.
4. We have discussed in general and in some detail all the constituent parts of the company's developing plans, and have had several opportunities to comment on the material being prepared for the extensive consultation which has just been launched by the company. A significant feature of this business plan is the need to lay the groundwork for the transition of the electricity industry to net zero carbon emissions by 2050 at the latest, while protecting the interests of all users. This will require the company to make substantial changes to the operation and configuration of its network, and will also involve substantial changes in how we all use electricity. Communicating the type of changes expected, the likely impacts on consumers, and the realistic options for making the necessary transition is a huge challenge and has been a major focus of our discussions with the company. But it is essential if people are to be enabled to make informed choices during the consultation.
5. The CEG is aware that much work is going on across the region in preparing and planning for the wider energy transition needed to achieve the legally binding net zero carbon emissions target, and that many local authorities have declared climate emergencies. We are strongly encouraging Northern Powergrid to build on its existing work in this area and to take a highly proactive approach to engaging with

local stakeholders on this. Its expertise and resources can make a big contribution to the overall effort needed here.

6. We have also discussed the company's ongoing stakeholder engagement work each month, and scrutinised its plans for engaging stakeholders in the consultation exercise. We have observed a number of engagement sessions to enable us to form an independent view of their quality and effectiveness. We are encouraging the company to keep careful track of changing consumer priorities as a result of the COVID-19 pandemic.
7. Over the course of our work so far we have raised 134 issues with the company. Many of these relate to the planned major stakeholder engagement exercise on the development of the company's RIIO-2 business plan. But we have also raised issues across a wide range of topics in the business plan from protection of the interests of vulnerable customers, to decarbonisation of the energy system, to customer service, to reliability and resilience, to supporting the green recovery – and more.
8. The company has responded already to most of the issues we have raised. Almost half have been closed and plans are in place to address many more in the coming months. We will monitor progress on these. Now that we are moving into a new phase of our work we will in future record the main issues we raise as more formal challenges, and will report these publicly along with the company's responses.
9. In the next few months we intend to undertake extensive scrutiny of the programme of stakeholder engagement the company is now initiating to make sure that a representative sample of its stakeholders have real opportunities to make informed inputs to the developing business plan. We hope that all stakeholders will take this opportunity to feed their views on priorities and needs into the company. We will carefully assess how the company deals with the responses it receives, and whether their draft business plan proposals to be submitted to Ofgem in the middle of next year represent a fair reflection of the balance of the responses.

Establishment of the Group and Ways of Working

11. The independent Customer Engagement Group (CEG) was established by Northern Powergrid (NPg) in 2019 in response to a requirement from Ofgem for each Electricity Distribution Network Operator to have such a group scrutinise its business plans for the next price control period, known as RIIO-ED2, which will run from 2023 to 2028.
12. The role of the CEG is to provide independent challenge to the company on its business plan for RIIO-2 and provide its own views to Ofgem and the public on whether the company's business plan addresses the needs and preferences of consumers.
13. The CEG operates at arm's length of both the company and Ofgem so that it can independently act in the interests of the company's customers and stakeholders. To ensure this independence the Chair was selected after an open competition (including a search run a recruitment consultancy) overseen by one of the company's Non-Executive Directors, and with Ofgem approving the shortlist of candidates.
14. The Chair then selected the Group members following another open competition. Information about the Chair and members can be found in Annex 1.
15. Our early meetings were devoted to briefing members on the role of the CEG, their part in the RIIO-2 process, briefings on Northern Powergrid and its activities, and on discussing our Terms of Reference and ways of working.
16. The Terms of Reference were drawn up to reflect and conform with Ofgem's guidance on enhanced engagement for RIIO-2 and have been agreed with the company. These are at Annex 2.
17. Independence and transparency are key principles underpinning all of the CEG's work. Therefore the CEG has put in place a set of arrangements to demonstrate how they are secured.

Independence

18. The CEG follows all relevant guidance from Ofgem, or explains why it is not doing so.
19. Members (including the Chair) have been appointed following open advertisement of the vacancies.
20. Each member is appointed in a personal capacity and agrees to declare any potential actual or perceived conflicts of interest.
21. Support for the CEG is provided by a Support Manager who has a clear duty of confidentiality to the CEG.

Transparency

22. The CEG maintains a microsite setting out:

- Role of CEG, and Terms of Reference
- Membership of CEG
- A register of interests
- Reports of CEG and subgroup meetings
- A list of Challenges to NPg raised by the CEG, and a brief description of their status

<https://ceg.northernpowergrid.com>

Our Discussions

23. The CEG has met regularly since its formation towards the end of 2019. Since the introduction of restrictions related to COVID-19 all meetings have been held by video conference, but there has been no interruption to or delay of our schedule of work (except that some planned familiarisation visits to Northern Powergrid have had to be put on hold).

24. Many of our discussions have involved Northern Powergrid staff presenting to us their plans and approaches to developing them. Initially we also had induction sessions on the company and its activities (which included visiting some parts of the business) and a briefing on the regulatory framework from an expert consultant. We have also had a discussion with a senior member of Ofgem's RIIO-ED2 team and our Chair has had regular discussions with Ofgem staff and the chairs of the other CEGs.

25. The effectiveness of our scrutiny role depends on our access to information about Northern Powergrid and its activities, and the openness of its staff in discussion with us. We have been given access to all the information that we have requested and our discussions with staff have at all times been open and constructive. We have had contacts with staff at all levels in the company from Chief Executive to front line workers, and access to Non-Executive Directors. While we have had less contact with Ofgem staff, they too have been helpful and supportive. We have received all the support from both the company and from Ofgem appropriate to our role.

26. We have posted records of our discussions on our microsite but brief summaries setting out the topics discussed at each session are included here for ease of reference and to help people find the relevant document on our site if they would like further information.

February 2020

27. The Customer Engagement Group met for two days in York for our first session looking at Northern Powergrid's early work on developing its business plan for Ofgem's RIIO-ED2 price control process. This is the plan that will cover the five years 2023-2028.
28. As an independent group, the CEG was particularly interested to understand how Northern Powergrid intends to make sure it takes into account the needs and preferences of all its local stakeholders in developing the plan. There was also a clear focus on the need to balance the pressures between short term costs and long term sustainability of electricity distribution in the context of a transition to 'net zero' carbon emissions.
29. NPg shared its current overall plans for involving stakeholders in the development of the business plan for 2023-28, and also some more detailed plans relating to specific aspects of the business:
- core engineering (maintenance and renewal of the network)
 - customer service
 - connections to the network
 - resilience to threats such as climate change and cyber attacks
 - and the transition to a role as a Distribution System Operator to facilitate Net Zero, i.e. the more active and flexible management of the electricity distribution network which will be needed to accommodate future patterns of supply, demand, and storage, and the transition to 'net zero' carbon emissions.

March 2020

30. At this meeting we focused on the specific needs of vulnerable customers, having previously looked at how Northern Powergrid intends to make sure it takes into account the needs and preferences of all its local stakeholders. We also discussed how the company will play its part in the transition to a zero net carbon electricity system.

April 2020

31. This month we focused on Northern Powergrid's plans for environmental protection, its corporate social responsibility plan, and how it intends to develop its workforce.
32. In view of the current restrictions on travel and face-to-face gatherings as a result of Covid-19, we also discussed how Northern Powergrid's modified plan for engagement activities is progressing and whether it is still able to gather stakeholder views effectively.

May 2020

33. In May we considered Northern Powergrid's plans for safety, reliability, and how it intends to achieve net zero carbon emissions in its operations. We also discussed with the company their early draft proposals for consulting with stakeholders later this year on the development of their business plan for ED2.

June 2020

34. This month we focused on Northern Powergrid's strategy and plan for a major consultation exercise on the development of its draft business plan, called Emerging Thinking, and on their emerging plans for Digitalisation, and Innovation.

July 2020

35. We focused again on Northern Powergrid's plans for a major consultation exercise on proposals for its draft business plan, articulated in an Emerging Thinking document, and on their approach to dealing with Local Area Energy Plans.
36. At each of these meetings we also received a report from the company on the stakeholder engagement work they had been undertaking, the findings from it, and their future plans. Individual members of the CEG have also observed a significant number (46 as of 15 October 2020) of the company's stakeholder engagement events to form an independent assessment of their quality and effectiveness and to better understand the issues and concerns of the customers and stakeholders participating in those events.

August 2020

37. At the end of July Ofgem launched a major consultation on the methodology they propose to use for the distribution price review, the Sector Specific Methodology, which will determine what companies can charge during the period 2023-28. We discussed the likely implications for both Northern Powergrid and for our work as an independent CEG of the proposals in this consultation. We also discussed the company's strategies for Resilience and for Procurement.

September 2020

38. The main items we discussed this month were Northern Powergrid's stakeholder engagement plans, their plans for dealing with electrical losses, and the developing plans for operating the distribution system in a different way as more renewable energy comes on stream and society changes to reduce CO2 emissions.

Summary of Issues raised

39. During the course of our discussions we have raised a number of issues with Northern Powergrid about their current thinking on the development of their business plan, and their proposals for consulting local stakeholders about it. We have kept a log of these, and of the company's responses. So far we have raised 134 issues and Northern Powergrid has responded to 115 of them. We now regard 57 issues as closed. The remainder are still open although in many cases the responses from Northern Powergrid indicate how they will address them in the coming months. We will continue to monitor and report on progress in dealing with the issues we have raised.
40. Many of the issues we have raised are aimed at improving the effectiveness of the major stakeholder engagement exercise on the development of the RIIO-2 business plan which the company launched in September of this year, by encouraging the company to: present information as clearly as possible; set out options in ways which make it easy for people to understand the implications for themselves and indicate their preferences; to explain the broader context in which their plans are being developed; and to ensure that their consultation embraces a fully representative cross section of consumers (including future bill payers). We are strongly encouraging the company to take a highly proactive approach to consulting with local stakeholders on the development of local plans to reduce and eventually eliminate the net carbon emissions associated with energy use. We recognise that this is an extremely complex and challenging area, and Northern Powergrid has expertise and knowledge that can play a vital role in making this transition as effective as possible.
41. Other areas where we have raised issues include on the proposed approach to protection of the interests of vulnerable customers; decarbonisation of the energy system; innovation; resilience; customer service on connections; supply chain strategy; supporting the Government's plans for a post COVID 19 economic 'Green Recovery'; improving reliability (particularly for worst served customers); and ensuring independence in the scrutiny of the highly technical aspects of their plans which most stakeholders will not be able to assess (such as much of their engineering investments.)
42. One unexpected issue that we are having to address is the effect of the COVID-19 pandemic on the company's engagement and on our work. We have monitored the company's response in terms of adjusting its approach to stakeholder engagement in response to the restrictions on face to face meetings, etc. We have been satisfied that the company lost no time in making sensible adjustments to its plans, and in then making further adjustments as it has gained experience in remote engagement. There is, however, still more to do in terms of ensuring that the major engagement planned in the remainder of this calendar year reaches a truly representative set of stakeholders, including those who are not digitally connected.

43. Further, we realise that the pandemic is having a significant impact on people's attitudes to and value of many things, and this must include their priorities and needs for their electricity supply. We are encouraging the company to monitor how people's attitudes change during the pandemic and to consider carefully the value of engagement work undertaken before the pandemic or even now during it, as its relevance for their future plans may be reduced as a result of changes in priorities and needs.

Next Steps

44. The CEG will continue to scrutinise all the aspects of the development of the company's draft business plan for RIIO-2, which has to be submitted to Ofgem by 1 July 2021. Over the next few months we also intend to:
- Scrutinise carefully the effectiveness of stakeholder engagement on the Emerging Thinking proposals published by the company to promote consultation on its business plan development
 - Engage with the Independent Technical Panel established by the company to review its plans for the scale and scope of its engineering investments including the replacement of its existing network equipment. In view of the scale of the expenditure involved and the specialised nature of the work it makes it difficult for most people to assess this part of their plan.
 - Reach out to other interested parties both to encourage them to contribute to the company's consultation exercise and, where they have specific expertise relevant to our work, to invite them to help us with our scrutiny of the company's plans.
45. With the publication of the company's Emerging Thinking document and the launch of its extensive consultation our work is about to move to a new phase. We intend in future to record the main issues we raise as formal 'Challenges' to the company, and will report these publicly together with the company's responses.

Find Out More, or Get in Touch

Please visit our microsite (<https://ceg.northernpowergrid.com>) where you can find much more information about us and our work. This will be updated on a regular basis. We can also be contacted via ceg@northernpowergrid.com.

CEG members biographies and public information

Justin McCracken – Chair



Justin brings a wealth of experience to the CEG with more than fifteen years' in a regulatory capacity in national public bodies: the Health and Safety Executive; the Environment Agency; and latterly as a Non-Executive Director of the Office of Rail and Road (ORR – the economic and safety regulator for the rail industry and economic regulator for Highways England). He has also served as Chief Executive of the Health Protection Agency and as a trustee of a charity, the British Safety Council.

Bindi Patel



Bindi Patel is Head of Customer Experience at Vattenfall Heat UK. Prior to joining Vattenfall Heat UK in June 2020, she was the Director at Heat Trust - a not-for-profit customer champion for the heat network sector. During her time at Heat Trust, Bindi led work on new regulatory standards for heat networks, with a focus on customer protection. With over 12 years' experience, Bindi has worked on energy efficiency and fuel poverty policy at Energy UK, advised local authorities on climate change and energy strategies, and was Lambeth Council's lead officer on sustainability and energy efficiency in the built environment

Core Expertise

- Stakeholder engagement
- Needs of current and future users
- Vulnerable customers / fuel poverty / hard to reach
- Distributed generation
- Community energy (including non-traditional business models)



Chris Harris

Chris is Head of Regulation and Compliance at npower. His background includes trading, finance and power generation. Whilst at work he held university posts in sustainable power distribution, energy policy and decision science. Advisory committees include Flexis, Supergen and IGov. He chairs the British Institute of Energy Economics 2020 research conference Energy for a Net Zero Society. Key relevant skills for NPg CEG are markets, regulation and consumers.

Core Expertise

- Energy system transition
- Flexible energy resource provision
- Innovation
- Big data and digitisation
- Future energy scenarios



Filippo Gaddo

Filippo holds a Master in International Economics, is a Director in Arup's Advisory Team and has almost twenty years' professional experience working for Government departments and major consulting firms. Filippo brings significant business case and investment appraisal, and regulation and market design expertise. Filippo has led numerous network investment projects' assessments as part of regulated network transactions in the energy and water sectors, for example supporting companies in the acquisition of power, gas and heat distribution companies and water companies. Filippo has also worked with utilities, energy companies and governments in the development, design and assessment of market mechanisms, tariff structure and new commercial / business models in the energy sector, most recently reviewing future role of Electric Vehicles and Hydrogen in a low carbon system.

Core Expertise

- Business case and investment due diligence
- Energy Policy and Regulation
- Power and gas market modelling
- Future energy scenarios



Graham Oakes

Graham has a PhD in Satellite Image Processing and a background in tech, working with firms such as Cisco, Intel, Skype and Sony. In 2013, he created Upside Energy, a tech platform for managing flexibility on the grid. Upside raised £10m of funding and grew to 35 staff by the end of 2018, at which point Graham stood down to focus on enabling people to participate in the Energy Transition. He now works on local and municipal energy projects across UK and EU. He is a member of BEIS' Engineering Standards Review and Ofgem's Design Advisory Board for Half Hourly Settlement, and has recently joined the board of FlexAssure, the ADE's code of conduct for demand response aggregators.

Core Expertise

- Energy system transition
- Flexible energy resource provision
- Innovation
- Big data and digitisation
- Future energy scenarios



Henri Murison

Henri brings his expertise on the importance of electricity infrastructure and the transition to zero carbon the wider economy to the CEG. Director of the Northern Powerhouse Partnership, he works across the wider infrastructure agenda, education, skills and wider industrial policy to drive the agenda on how to close the North - South divide. He has led work on the role of decarbonisation in driving economic growth, specifically focused on energy sector.

Previously, he advised a financial services business on their government and international regulation interest as well as having wider roles in the voluntary sector and as Cabinet Member for Quality of Life at Newcastle City Council.

Core Expertise

- Energy Policy and Regulation
- Industrial policy implications of energy supply and storage
- Future energy scenarios
- Local and devolved government



Jenny Saunders

Jenny Saunders is an independent consultant with over 30 years working in the energy and charity sectors. Previously Chief Executive at National Energy Action, based in the North East but operational across the UK, Jenny is currently Chair of the Customer Engagement Group for NGN and has experience of Ofgem's enhanced stakeholder engagement process for RIIO2. She is a member of the Government's Fuel Poverty Committee and sits on the Advisory Group to Innovate UK's £200m PFER programme. Jenny is a NED of Affordable Warmth Solutions which delivers heating and energy efficiency programmes. She has previously sat on a number of energy industry stakeholder groups including NPg's Social Issues Group.

Core Expertise

- Stakeholder and community engagement
- Fuel poverty and vulnerable customers
- Regulation and governance
- Domestic scale energy efficiency and renewable heat innovation



Mike Kay

Mike worked at Electricity North West for 38 years, the last eight of which he was the Engineering and IT Director.

He served on the Grid Code Review Panel for 20 years, and was Chairman of the Distribution Code Review Panel for over a decade.

Since leaving Electricity North West in 2015 he has worked as an independent consultant on a number of projects for the regulated electricity network industries in the UK and internationally.

He is a member-elected trustee of the Electricity North West pension fund.

Core Expertise –

- Energy supply and/or distribution
- Electricity transmission
- Regulatory framework/price control planning
- Outputs and expenditure
- Resilience
- Technical benchmarking
- Energy system transition
- Distributed generation



Patrick Smart

Patrick Smart is Energy Networks Director at Renewable Energy Systems, the world's largest independent renewable energy company. Patrick has worked in various areas of energy regulation for over twenty years. Between 1999 and 2005, Patrick held two senior roles within the OFGEM Networks Division and prior to joining RES in February 2011, he was Head of Commercial and Regulatory Consulting at Senergy Econnect, now part of Lloyds Register.

As Energy Networks Director, he is responsible for all things grid relating to the RES onshore renewable energy and energy storage portfolio in UK and Ireland. He also leads the RES internal cost reduction continuous improvement project in relation to onshore wind. Until recently, he has been Chair of the REUK Grid and Systems Group for 4 years and is also a member of the OFGEM / BEIS Smart Systems Forum.

Core Expertise

- Electricity transmission
- Regulatory framework/price control planning
- Energy system transition
- Flexible energy resource provision
- Low carbon technologies including energy storage
- Distributed generation
- Future energy scenarios



Simon Pringle

Simon is Managing Director of Project Rome, a consultancy specialising in commercial strategy, campaign and communication.

A Visiting Professor at University of Chester, Simon was formerly Head of Sustainability and Innovation at BDO LLP and has a background in Environmental Consulting and Change Management. He was author of the IMechE guide to commercialising clean technology and designed the CBI innovation model for medium sized businesses

Chair of the Leeds City Region LEP Green Economy Panel, Simon also sits on British Business Bank Regional Accountability Board for the NPIF. He was a founding Trustee of the community energy charity Pure Leapfrog and is a member of the Northern Gas Networks CEG. Chair of the children's STEM skills organisation 'Solutions for the Planet', Simon is also a Trustee of an organisation providing alternative educational setting for individuals permanently excluded and/or in the judicial system.

Core Expertise

- Commercial Strategy
- Innovation and Commercialisation
- Communication and Campaign
- Corporate Energy Strategies
- Local Government and Local Economic Partnerships
- Community energy (including non-traditional business models)

Customer Engagement Group**Terms of Reference****1 December 2019****1. Background**

Northern Powergrid has established an independent 'Customer Engagement Group'. This group is being formed in response to Ofgem's requirements as part of its next price review (known as RIIO-2) process, and its role is to represent the interests of the customers and communities that Northern Powergrid serves. Under the Ofgem process all electricity distribution companies are required to submit draft business plans to Ofgem, covering the period 2023-2028. The CEG will challenge the company to ensure that its developing plan properly reflects customers' interests and Ofgem's guidance on priorities for the price review. These priorities include ensuring that the electricity grid:

- is amongst the safest and most reliable in the world;
- keeps network charges on bills as low as possible;
- supports the target of net-zero carbon emissions for 2050 by enabling the rapid roll-out of low carbon technologies, including electric vehicles, and the development of a charging network to support them;
- supports new customers in getting connected to the grid quickly, efficiently and at least cost;
- enables people to produce their own energy and sell it easily;
- delivers great customer service; and
- helps fuel-poor households, and those that are most vulnerable from a loss of supply, by understanding their needs and tailoring their services in response.

2. Role:

- a. The independent Customer Engagement Group ("CEG") will operate at arm's-length, independent from both the Company and Ofgem, to provide challenge to the Company on

its business plan for RIIO-2 and provide its own views to Ofgem and the public on whether the Company's business plan addresses the needs and preferences of consumers.

- b. This work of this group is separate from the company's ongoing stakeholder engagement activities, which will continue. The CEG will not seek to duplicate these activities. Rather, it will assess and report on the quality and scope of the Company's stakeholder engagement, and the extent to which its findings are reflected in the Company's plan.
- c. The CEG will not have any decision-making powers in respect of the business plan. All such powers still rest with the Company. The CEG will not be jointly responsible for the business plan that the Company submits to Ofgem and the ownership of the business plan remains solely with the Company.

3. Duties and scope:

- a. In carrying out its purpose of providing challenge to the Company's business plan, the CEG will focus on areas where there is the need to improve customer outcomes, and where it has the expertise to scrutinise and challenge.
- b. The CEG's report will consider the following areas (including but not limited to):
 - i. the Company's overall priorities and approach;
 - ii. the Company's approach to sustainability and resilience;
 - iii. the Company's proposed outputs and associated total expenditure (including level of cost efficiency improvements);
 - iv. the quality of stakeholder engagement the Company has undertaken to inform their proposals;
 - v. the approach and support that the Company provides to vulnerable customers;
 - vi. the Company's approach to innovation, including incorporating innovation into its business;

- vii. the range of scenarios that the Company has taken into account to anticipate future network requirements and the Company's approach to managing uncertainty and associated risks;
- viii. what alternatives to the investment proposals the Company has considered including from parties offering alternative and non-network based solutions;
- ix. any issues of particular relevance to the region served by the Company, including any significant investment choices in the area, and provide challenge to decisions made by the Company when considering competing interests and perspectives.

This list will be kept under review and amended as appropriate.

- c. The following is outside the scope of the role of the CEG:
 - i. the consideration of financial issues, such as the cost of capital, treatment of debt or the level of gearing in the Company. This is reserved to Ofgem.

4. Outputs and deliverables:

- a. The primary output from the CEG will be an independent report to Ofgem on the Company's business plan. This should be submitted directly to Ofgem at the same time as the Company submits its business plan, and made public. In its report, the CEG will highlight areas of agreement and disagreement between the CEG and the Company, including how the Company has responded to challenges that have been raised by the CEG throughout the process. The report will highlight where there is or has been disagreement amongst members of the CEG. The report will provide a view on the degree to which the Company has explored different options, considered different viewpoints, and properly reflected these in its final plan. It will provide Ofgem with independent evidence for Ofgem to consider alongside other relevant matters in its assessment of the Company's business plan.

The CEG will also:

- b. be represented at any "open hearings" proposed by Ofgem once Ofgem has received the Company's business plan. Attendance will be by the chair on behalf of the CEG and should be in person if this is required by Ofgem.

- c. meet regularly (at a frequency to be decided by the chair), and produce outputs from its meetings including:
 - i. minutes and actions for each meeting;
 - ii. challenge and issue logs, updated after each meeting, capturing challenges by the CEG to the Company's business plan.
- d. meet with Ofgem and the CCG periodically to provide feedback on the progress made by the Company in respect of the Company's business plan, and on the process of producing the business plan itself.

5. Chair:

- a. The CEG has an independent chair, whose role will include leading discussions and chairing meetings of the CEG. The chair must act independently and not as a representative of a particular organisation or group of customers.
- b. The chair will be the principal representative of the group in contacts with other parties (including the Company, Ofgem, and the CCG)
- c. The chair is responsible for ensuring that members of the CEG have a good understanding of the main obligations, issues and priorities required to carry out their role as members of the CEG.
- d. The chair should seek to facilitate open, informed discussion and consideration of issues set out in paragraph 3 by the CEG.

6. Membership:

- a. The CEG will be constituted in such a way that members between them have the range of knowledge, skills, and expertise necessary to scrutinise and challenge the Company's plan in all the areas set out in Section 3 of these Terms of Reference.
- b. Individual members will provide expertise relating to their discipline to the CEG, contributing their views as individuals and not seeking to represent any group, organisation or constituency other than the interests of current and future consumers.

- c. Members must ensure their contributions enable the CEG to function in a collaborative and cohesive manner.
- d. Members may be asked by the Chair to represent the CEG in meetings, including public open hearings in support of the Chair.
- e. Members must inform the Chair and Secretariat in advance if they are unable to attend any meeting.
- f. The chair shall work with the Company to recruit members of the CEG and be prepared to justify their selection to the Company and to Ofgem (if required). The chair is responsible for notifying the Company if any member(s) of the CEG wishes to leave the CEG and for managing any such leavers whilst ensuring that the overall role of the CEG is not affected.
- g. A Member may be removed from the Group by the Chair, in consultation with the Company, if they have committed a serious breach of the standards of conduct laid down in the Terms of Reference.

7. Conduct of the CEG

- a. The independence of the CEG Chair and Members from the Company and Ofgem is essential. The CEG must scrutinise and challenge the Company's business plan as it is developed and, in doing so, seek to achieve the best possible outcomes for present and future consumers.
- b. The work of the CEG will be conducted in as transparent a manner as possible, without compromising either individual rights or the Company's commercially confidential information. The CEG will maintain webpages with an up to date record of its membership, Terms of Reference, and the progress of its work.
- c. The Chair and Members will observe the highest standards of integrity and independence and comply with the principles established by the committee on standards in public life (Nolan Principles – see attachment).
- d. All members must declare any conflicts of interest that may be relevant to their role as a member of the CEG. A conflicts of interest register will be maintained by the CEG, and kept

available for public scrutiny. Members must also declare any conflicts of interest at the start of any meeting of the CEG.

- e. The CEG's work will be programmed, so far as is possible, to interface smoothly with the needs of Ofgem and the CCG and the Northern Powergrid business plan development timetable.
 - f. The CEG should challenge the Company's internal assumptions (including raising expectations about what 'good'; looks like) and ensure that the company is keeping pace with the latest thinking both nationally and internationally.
 - g. All members are expected to work collaboratively and proactively with the other members of the CEG, sharing relevant learning and information with each other to assist with their role as members of the CEG.
 - h. The CEG will try, where possible, to reach a consensus position on all matters that it discusses. However, where this is not possible, then the view of the majority of the members of the CEG will prevail. Where a consensus has not been reached, CEG members may request that specific individual views are recorded in the minutes, even though the majority view will prevail. In the case of a "tie" between members of the CEG the Chair will have the casting vote.
 - i. Members of the CEG may receive commercially sensitive data or personal data relating to named individuals in connection with their role as CEG members. Members of the CEG must agree to keep all such information confidential and to abide by all laws, regulations and legislation in respect of such information (including the processing of any such information).
 - j. Members of the CEG must agree to enter into any separate agreements with the Company in respect of confidentiality, intellectual property and/or data protection as the Company may reasonably require.
- 8. Resources and information:** The Company will provide the CEG with the following information and resources to assist the CEG in carrying out its role: secretariat support, meeting facilities, etc. All relevant information regarding the business plan, and its background (e.g. relevant government policies, regulatory requirements; planning scenarios.)

- 9. Meetings with the Company.** The CEG will meet formally with the Company at least once every three months.
- 10. Quorum:** Four members of the CEG including once member from each of the subgroups and a designated Chair.
- 11. Variations to terms of reference:** Any changes to these terms of reference must be agreed in writing by the chair of the CEG and the Company. The terms of reference will be reviewed once a year.
- 12. Transparency:** The CEG will have a webpage which will include:
- a. the membership of the CEG;
 - b. a register of conflicts of interests;
 - c. the Terms of Reference,
 - d. an overview of the main issues discussed at the CEG meetings, and
 - e. a record of areas of active challenge.

13. Definitions

For the purposes of these Terms of Reference, the following terms have the following meanings:-

“Company” means Nothorn Powergrid (Northeast) Limited (company number 02906593) and Nothorn Powergrid (Yorkshire) plc (company number: 04112320)

“Ofgem” means the Office of Gas and Electricity Markets.

The Nolan Principles

The 7 principles of public life apply to anyone who works as a public office-holder.

The principles also apply to all those in other sectors that deliver public services, so it is appropriate that CEG members, who are appointed to represent the interests of customers and communities, should adhere to them. They are:

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.