

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 one 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 conflict of interests;
- c. the Terms of Reference; and
- d. an overview of the main issues discussed at the CEG meetings.
- 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 Northern Powergrid (Northeast) Limited (company number: 02906593) and Northern 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.