

Challenge Log – Updated 26/02/2021

Ref	Date raised	Topic area	Challenge raised	Brief Description	NPg Owner	Date due for response	Response by NPg	CEG view of NPg response	Status	Open/Closed
C1	11/11/2020		Local Area Energy Planning	<p>The CEG recognises the description of the Local Area Energy Plans by the Energy Systems Catapult (2018) as enabling “stakeholders, led by local government, to interrogate different energy futures for an area and to develop the most promising, cost-effective options for decarbonisation. For network operators, it provides a foundation for justifying and planning network upgrades. Local Area Energy Planning develops a shared vision as a basis for targeting investment, encouraging innovation, securing value for money and gaining public understanding and support”.</p> <p>Such an approach is likely to be an essential element of developing the type of robust evidence that would be required to engage and convince Ofgem to fund investment proposals for decarbonising the energy system based on locally assessed need and priorities rather than on a central set of forecast outputs (which Ofgem itself recognises could lead to higher costs or an underestimation of investment needed in different regions).</p> <p>The CEG also recognises that the policy framework for LAEPs is not yet firmly settled but encourages NPg to take a proactive approach to developing local partnerships, particularly with local and combined authorities across the region that it serves. This may be particularly productive with those authorities that are progressive in this area, for example in support of pathways to decarbonisation and hitting net zero by 2050 or before. Capacity, and detailed plans, exist within the West Yorkshire Combined Authority (and its constituent local authorities) as well as at and within the North of Tyne Combined Authority (and its constituent local authorities including Newcastle) and the North Yorkshire and York Local Enterprise Partnership (which includes North Yorkshire authorities and the unitary City of York).</p> <p>The CEG also actively encourages NPg to consider using its expertise and influence to support capacity building and stimulate engagement by those authorities that are under resourced or otherwise less able to make effective progress.</p> <p>The potential for building wider networks of influence and stimulating greater collaboration among key players (including other network operators) is also encouraged as part of this challenge. The CEG has made reference to certain examples that may be worthy of consideration (notably Greater Manchester).</p>	Patrick Erwin (Jim Cardwell)		<ul style="list-style-type: none"> <li>• In principle we accept the Challenge. This aligns almost exactly to the role we set out in “Emerging Thinking” on the ED2 plan last summer, to play a key facilitating role in decarbonisation and providing regional coordination and appropriate leadership.</li> <li>• This will be given effect by a range of propositions in the plan, but a key proposition is to allocate dedicated headcount to support LAs in developing LAEPs. This will be explored in the decarbonisation propositions paper ahead of draft plan.</li> <li>• We are doing a lighter touch version of this in the remaining years of ED1 working in partnership with NGN (and we hope also Cadent from later this year), but we are not currently fully resourced to do this and building the extra capacity to do it will take considerable time given the expertise needed.</li> </ul>			Open

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C2	11/11/2020		Northern Powergrid's role, as an Anchor Institution, in Building Back Better	<p>The CEG is aware that the actions necessary to control the COVID-19 pandemic are having a substantial impact on the economy of the region served by Northern Powergrid. The CEG challenges the company to seek opportunities to take advantage of the current market to bring forward investment activities, thereby helping to restart the economy but also to benefit future bill payers by keeping costs low.</p> <p>The CEG notes the importance of Anchor Institutions for the region and so also challenges the company to consider opportunities to fulfil this role in collaboration with other regional Anchors such as Yorkshire Water, various Local Authorities and Academic Institutions.</p> <p><b>Context:</b> <i>Anchor Institutions can be defined in several different ways. In essence, they are organisations that can have a significant positive impact if they consciously and strategically apply their long-term, place-based economic power. This is particularly the case if that is combined with their human and intellectual resources, to better the welfare of the community or region within which they operate. In the first instance Anchors tended to be associated with local authorities, health care settings and places of higher education. Latterly, however, a more inclusive definition has evolved and our list of Anchors includes social housing providers, utility companies and established regional employers.</i></p> <p><i>It is recognised that Anchors create most value when they are fully engaged with their locality and work in partnership with each other, so that they can learn together and build sustainable strategies over time. The impacts created by Anchors can result from the services they provide, the amount of money they spend and the number of local people they employ. For example, the purchasing power of one or more Anchors can be very significant. A study carried out by the Joseph Rowntree Foundation and Leeds City Region Enterprise Partnership, identified that were the 10 participating Anchors to shift 10% of their total spending to suppliers in the city region this could be worth somewhere between £168-£196m/pa, an increase of more than 20% of local spend.</i></p>	Patrick Erwin		<ul style="list-style-type: none"> <li>Challenge accepted.</li> <li>Through the Green Recovery Scheme, we have already identified £30m investment to bring forward in ED1. In early February we will also launch a call for evidence to identify a number of proactive investment schemes for accelerated development in the next 2-3 years.</li> <li>More generally we have decided to develop and adopt a Sustainability Strategy to support business plan building on this theme, aligned with the UN SDG. This approach will help us frame our role in a holistic, strategic way, informed with a broad view of what environmental, social and economic sustainability looks like.</li> </ul> <p><b>NPg response plan:</b></p> <ol style="list-style-type: none"> <li>Individual actions, working with Leads across all business plan areas, in particular environment, vulnerability, O&amp;T, decarbonisation and communities.</li> <li>CEG review of sustainability strategy once drafted.</li> </ol>			

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C3	01/12/2020		Workforce Diversity Strategy	The CEG believes that the inclusion and diversity are integral to the issues of workforce and skills development. Northern Powergrid is facing a number of challenges in ensuring that it will have a workforce capable of supporting the achievement of the ambition set out in its Emerging Thinking consultation and attracting talent from as wide a pool as possible will be essential to addressing these challenges. Given the current profile of its workforce, accessing, attracting, and retaining a pool of people that fully reflects the diversity of the communities served by the company represents a huge opportunity as well as a challenge. The CEG is not convinced that the proposals it has so far seen represent an appropriately ambitious approach. We would like to see a workforce strategy that underpins the company's vision, with a set of metrics and milestones that will facilitate regular monitoring of progress towards the vision throughout ED2 and beyond.	Neil Applebee		<ul style="list-style-type: none"> <li>Fair. Challenge anticipated given Diversity, Equity &amp; Inclusion (DEI) is a step change "big ticket" item for ED2 and beyond both for our company, sector and is a 'hot topic' on the global agenda.</li> <li>Early CEG desire for DEI from the outset, despite making it clear in our first interaction, we were only talking to them Workforce Renewal and Skills agenda. This was ahead of the Ofgem guidance document on Workforce Resilience being published.</li> <li>In line with Ofgem guidance to CEG, DNOs are required to work collaboratively with their respective CEG to establish appropriate key workforce resilience metrics and a consistent approach to reporting, to increase openness and transparency across the sector – so not surprised to see reference to metrics within the CEG challenge.</li> <li>There needs to be recognition that NPg is typical of companies within the energy sector and is reflective of how many students take STEM subjects in education. Changing the balance will take years – this is a multi-price control period, not an ED2 only, agenda item.</li> </ul> <p><b>NPg response plan:</b></p> <ol style="list-style-type: none"> <li>Further analysis on leading DEI companies within the Energy Sector – with benchmarking/case study</li> </ol>			

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							<p>referencing to UKPN, National Grid and EON.</p> <ol style="list-style-type: none"> <li>2. Access to BHE DEI framework – including individual platform DEI action plans, including content challenge on DEI propositions/initiatives.</li> <li>3. Intervention plan established for Workforce Resilience with further internal support obtained for specifics of DEI and Skills and external challenge from Non Exec Director identified.</li> <li>4. Considering options regarding bolstering support into BAU operations within People team to free up capacity to devote more time to Workforce Resilience as well as reviewing how external consultants Towers Watson Willis may be able to support further.</li> <li>5. Contact made with Utilities HR Leaders Forum to identify key leaders to share best practice and ideas, including sector specific contacts for DNOs to establish interest in co-ordinated approach to workforce resilience metrics.</li> <li>6. Enhancements to propositions required to strengthen ambition and specificity.</li> <li>7. Follow up call held with Justin McCracken to discuss CEG feedback and actions agreed regarding sub-group structure for the development of workforce resilience metrics.</li> </ol>			

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C4	01/12/2020		Engaging Stakeholders Effectively on the impact on bills of their choices of options	<p>The CEG recognises that it is far from straightforward to explain to stakeholders the impact on bills (both immediately and in the longer term) of changes in Northern Powergrid's expenditure. In order to generate reliable stakeholder insights it is essential that this is presented in a clear and accessible way.</p> <p>In June we asked NPg to look at ways of presenting the whole life impact on bills of investments, not just the in year impact (and consider showing in year changes in % as well as absolute terms) as part of its Wave 2 engagement. Observations of some of this Wave 2 engagement have identified that many stakeholders have only a limited appreciation of the cumulative effect of small changes on their household bills, and the long term impacts have not been made clear. This substantially reduces the reliance that can be placed on the choices they make in the consultation.</p> <p>We are now asking Northern Powergrid to ensure that future stakeholder engagement sets out the impact on bills in ways which will enable stakeholders to understand the choices they are being offered in the broader contexts of both their overall current expenditure and the future commitments.</p>	Patrick Erwin ( <i>Siobhan Barton</i> )		<ul style="list-style-type: none"> <li>This is a fair challenge from CEG regarding the importance of ensuring customers and stakeholders fully understand the construction of the current bill and implications and impact of any proposed change to this in order to generate reliable stakeholder insights.</li> <li>We agree that the bill (and all relevant financial information) must be presented in a clear and accessible way and customers may have sufficient time given over to understand the information, question it and give a considered view.</li> <li>We agree that some stakeholders have only a limited appreciation of the cumulative effect of small changes on their household bills, and more work is needed to ensure long-term impacts are clear and fully understood.</li> </ul> <p><b>NPg response plan</b></p> <ol style="list-style-type: none"> <li>This is a key aspect of our Wave 3 preparations and one which is underway. We are currently seeking best practice examples from the water and gas industries to identify key learning. We are also engaging with our agency partners and experts to consider possible approaches.</li> <li>There are two key aspect that we are considering. Firstly the framing around the acceptability questions</li> </ol>			

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							<p>that we seek in relation to bill impact. For example, below are example question framing from other surveys:</p> <ul style="list-style-type: none"> <li>Your bill will also increase by inflation;</li> <li>Other household bills may go up or down, affecting the amount of money you have to spend in general;</li> <li>Your household income and expenses might change, so please be mindful of your overall financial situation when making your decisions;</li> <li>Any money you pay to improve the service offered by NPg will not be available for you to spend on other things; and</li> <li>Any choices you make to increase or reduce your bill in the period 2023 to 2028 are permanent changes; so they will still apply each year after 2028</li> </ul> <p>3. In addition, we are exploring means of pictorially representing bill impact information in a way that is understandable.</p> <p>4. This is also a key focus for our newly recruited Energy Champions to challenge us in our approach and help us to shape something that is clear and accessible.</p>			
C5	04/01/2021		Data and Digitalisation	Ofgem has made it clear that data and digitalisation will be a core concern during ED2. This builds from the Energy Data Taskforce's recommendations on openness of data and mapping of the assets within the energy system, and the ongoing work of the Modernising Energy Data programme. The CEG is convinced that making progress in this area should be a high priority for ED2 because such data is a key enabler of smart flexible operation of the network. Failure to make early progress in this area could have significant opportunity costs later. Our challenge to the company is	Paul Fitton (Karen Donachie)		<ul style="list-style-type: none"> <li>We think this is a fair challenge. The Digitalisation strategy we published in December, in line with Ofgem requirements, sets out the high-level strategic objectives and roadmap that will achieve these ambitions, however the</li> </ul>			

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				<p>to set out its vision and strategy for improving data quality and analysis in more detail, to identify the specific data-driven outcomes that will be achieved during ED2 (and beyond if possible), and to identify the enablers required to implement this strategy (e.g. systems and skills) and how they will be built during ED2.</p> <p>Questions around this topic have come up on a number of our sessions recently, for example:</p> <ul style="list-style-type: none"> <li>• The scope for finer grained analysis of reliability data to improve targeting of investment in the network. There could be considerable scope for an initial investment in data and analytics to yield large benefits in this area.</li> <li>• Similarly, there would appear to be considerable scope for integrating NPg's data with external GIS and other data in order to better characterise factors driving service failures, and so better target investment and operational processes.</li> <li>• Ensuring that each MPAN is mapped to its correct electrical location on NPg's network so that the impact of service outages on individual customers can be analysed and managed operationally. As well as supporting NPg to take customer service to the next level, this would again have potential benefits for improving support for the vulnerable, targeting of investment, and managing flexibility services.</li> <li>• On workforce resilience and skills, much of the focus has been on recruiting through existing channels (e.g. apprentices, graduates), whereas data and digitalisation may require new points of entry to be developed (e.g. for data engineers and data scientists, who are likely to have post-graduate qualifications and/or have experience gained from other sectors outside of electricity, or energy more widely).</li> </ul> <p>Our particular concern is that none of these examples seem to be addressed in the Digitalisation strategy, which still appears to be very generic rather than grounded in the analysis being undertaken in other sections of the plan. We would therefore like to see more emphasis on making data and digitalisation a core part of the company's strategy in every area, rather than a separate strategy in its own right.</p>			<p>bottom-up work being done with plan propositions has not yet aligned with this strategy.</p> <ul style="list-style-type: none"> <li>• We are comfortable that our workplan in this area will address the CEG's challenge and the external support for this workstream will help to enable that.</li> <li>• We acknowledge that demonstrating the data and digitalisation enablers in plan sections will help the CEG and others understand the impact these enablers are having in delivering our business objectives.</li> </ul> <p><b>NPg response plan</b></p> <ol style="list-style-type: none"> <li>1. We have begun by playing our propositions to each individual plan area, explaining how we have linked back to their plans.</li> <li>2. This allows us to check that the alignment is correct with their plans and that there are no gaps in our plan at the same time.</li> <li>3. Centrally, we have reissued the requirement on plan areas to ensure that the data and digital enablers are clearly stated in the plan sections.</li> <li>4. We are also looking at bringing forward some planned work products to specifically move us forward on the data aspect of our plan to get up to speed and be able to move the dial on some of the things referenced in the challenge – for example we see the value in</li> </ol>			

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							<p>accelerating our data products and services roadmap as a route to demonstrate some of the detail that is suggested in the challenge itself.</p> <p>5. To support this, we have also recut the plan itself to frame each improvement area and ensure it is fully resourced and the workstreams have input from the areas of the business who will receive the benefits from it.</p>			
C6				<p>Whilst we are satisfied that there is ambition to improve the existing standards of performance compared with other DNOs for customer engagement, NPg have not shown sufficient focus and ambition for engagement on the changes that will be needed (or are being planned by stakeholders/customers) to meet the future challenges of the energy transition. NPg's engagement plans for ED2 should reflect the need for greater levels of engagement on areas of the plan that relate to Net Zero/decarbonisation and which relate to innovation and which may be subject to uncertainty mechanisms.</p>			<ul style="list-style-type: none"> <li>• Discussions to date have focused on how we benchmark against other DNOs and other companies and there has been minimal engagement specifically on the ED2 approach. We have yet to table our proposed commitments to support the necessary engagement for the energy transition.</li> <li>• We are currently scoping proposed commitments regarding our engagement approach within the ED2 period and will be mindful of this challenge as we engage with customers and wider stakeholders within the wave 3 programme.</li> <li>• We require additional clarification from the CEG as to their expectations reference to 'innovation and uncertainty mechanisms'.</li> </ul>			

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							<p><b>NPg response plan</b></p> <ol style="list-style-type: none"> <li>1. A draft of our stakeholder engagement commitments to be delivered within the ED2 period are currently in development and will then be internally reviewed with the ED2 Leadership Team. These commitments will then be tested with external stakeholders, exploring if we are demonstrating the right level of ambition to provide a stronger voice for our consumers. A draft outline will be shared with the CEG SE subgroup and discussed in the coming weeks.</li> <li>2. A critical element and success factor is to ensure the right commitment to make the subsequent business changes once engagement has occurred and the plans identified. Consultation with internal stakeholders, therefore, as to the interdependencies and associated required commitments from these areas of the business are also being sought and defined.</li> <li>3. In drafting the ED2 engagement approach consideration will be given to the overall costs of the programme, whether the commitments represent the level and value for money as well as consideration to bill</li> </ol>			

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							<p>impacts, affordability and deliverability as central consideration in development this framework.</p> <p>4. ED2 engagement approach will then be tested in our wave 3 engagement programme and adapted accordingly.</p>			