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Ofgem  
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25 August 2022

Dear Ofgem

This letter sets out the collective response of the ED2 CEG chairs to the consultation questions in the Core Methodology about the enduring role of the CEGs. We thought you might find it helpful to understand our common position, as well as receiving more detailed feedback in the individual CEG responses to the draft determinations.

Core-Q1. Do you agree with our proposals for the enduring role of the CEG?

Core-Q2. Do you see value in the CEGs working together to deliver more coordinated and comparative reporting on some of the DNOs' Business Plan commitments?

## Q1

The ED2 CEG chairs believe there is a part for CEGs or equivalent groups to play in encouraging the DNOs and Ofgem to integrate consumers into the whole energy system. The chairs welcome an enduring role as outlined in paragraphs 2.27 and 2.28<sup>1</sup> of the Core Methodology, which is consistent with the terms of reference for our work on the ED2 business plans. The current and future challenges and complexities in the energy system reinforce the need for Enhanced Engagement to enable consumer interests to be independently represented.

We believe CEGs could add value in a number of areas, including

- scrutinising the implementation of the ongoing engagement commitments made in the business plans
- challenging whether the way in which commitments are being delivered provides at least the anticipated benefit and value for money to customers
- probing how the DNOs are understanding and responding to the needs and preferences of regional and sub regional customers and stakeholders, in particular
  - achieving Net Zero, having regard to regional and sub regional supply and demand considerations, e.g. flexibility opportunities
  - identifying and responding to the impact of local circumstances on customer vulnerability
- monitoring how the DNOs are engaging with customers and stakeholders as part of assembling evidence regarding the need to deploy Uncertainty Mechanisms
- assessing the effects of Uncertainty Mechanisms and re-openers on services for customers.

We believe the role should include engagement between the CEGs and between the CEGs and Ofgem, the Challenge Group and customer representatives and stakeholders. It should focus on those activities that the CEGs are best placed to undertake and should avoid duplicating the remits

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<sup>1</sup> We do not see the parts of para 28 as mutually exclusive, as the text suggests. The CEG should be independent, cover regional and local issues and cooperate with the other CEGs.

of others, thereby maintaining an independent perspective and making best use of specialist resources.

Ofgem has said it does not intend to place a formal requirement on the DNOs to maintain a CEG or equivalent. The CEGs and DNOs have developed constructive relationships during the business plan scrutiny process and DNOs have said that the quality of the business plans has improved as a result. Ideally, the relationship between the DNO and the CEG would be sufficiently mature to facilitate constructive challenge and add value for consumers, without it being mandated by the regulator. Without a mandate, there is a risk that a CEG's perceived and actual independence could be undermined. DNOs may take widely different approaches which could detract from the effectiveness of any collaboration. This is discussed further in our answer to the second consultation question.

## Q2

We see value in the CEGs collaborating with each other and with the DNOs, Ofgem, the Challenge Group, customer representatives and stakeholders. This would be more effective if the DNOs, the CEG chairs and Ofgem were to agree common terms of reference for the CEGs. This is implied in the first sentence of paragraph 2.29 of the Core Methodology. This would not preclude DNOs and CEGs agreeing additional elements specific to the circumstances of individual DNOs and their customers and stakeholders. It would provide a degree of comparability in the output for Ofgem from the CEGs. We see value in exploring and adopting best practice from experience in the energy sector and elsewhere.

We do not see the CEGs delivering formal comparative reports on DNO performance. This sort of reporting falls squarely within the remit of the regulator and the CEGs do not have the expertise to undertake what we know to be a technical, complex and time consuming task.

We hope this collective response on the role of CEGs in ED2 is a helpful starting point to a wider discussion. We are confident that the CEGs have had a positive impact on the quality of the business plans and we look forward to understanding how that will be reflected in the Final Determinations.

Your sincerely

Ann Bishop, chair of the CEG for UK Power Networks

Jeff Halliwell, chair of the CEG for Electricity North West

John Howard, chair of the now lapsed CEG for Scottish Power Energy Networks

Tracey Matthews, chair of the CEG for Scottish and Southern Electricity Networks

Duncan McCombie, chair of the CEG for Western Power Distribution

Justin McCracken, chair of the CEG for Northern Powergrid