



**Customer
Engagement Group**

Terms of Reference

Updated June 2021

1. Introduction

In 2018, Ofgem set new requirements for network companies with the aim of supporting further improvements in engagement with their stakeholders to ensure companies' plans for the future are aligned with consumer needs in a rapidly changing world. As part of this, NGN (along with other distribution businesses) was required to establish a Customer Engagement Group (CEG) to challenge its RIIO-2 business plan.

Within its business plan for RIIO-2, NGN committed to an enduring role for the CEG as a key part of its ongoing Stakeholder Engagement Strategy.

The CEG is anticipated to be in place until at least the end of the RIIO-2 period April 2026. This will cover:

- Monitoring of NGN's delivery of commitments during the RIIO-2 period

- Development of NGN RIIO-3 business plan; and
- Ongoing engagement with relevant regulators, including OFGEM as required.

These Terms of Reference have been developed in lieu of Ofgem guidance on the role of Customer Engagement Groups following the RIIO-2 business planning process. They may extend based on further guidance from Ofgem or changes to business requirements, by mutual agreement.

This Terms of Reference sits alongside other CEG governance documents:

- **Target Operating Model:** detailed 'operational handbook' for how CEG will work in practice;
- **CEG effectiveness criteria:** these allow an assessment of how the CEG is set up and run; and

2. Scope of CEG activities

2.1. The focus of the CEG during GD2 will be on the following NGN Workstreams:

- Future Networks including : Whole systems, transition to low carbon gases and related innovation, the programme for delivery of the Whole Systems Strategy, Innovation programme and effective partnerships.
- Environment including: Environmental Action Plan areas not covered by Future Network workstream, the programme for delivery of the environment programme.
- Social including: Enhanced Social Service

improvements on complaints, ensuring support aligns with real need, delivery of fuel poor connections, Impact of competency framework and the design of use it or lose it allowances (UIOLI)

- Systems and Operations including: Digitisation and Work Place resilience, transition, and customer benefits of digitisation.
- Stakeholder Engagement and Innovation: that underpin the areas above.

2.2. Monitoring of NGN's delivery of commitments during the RIIO-2 period

During the RIIO-2 period, the CEG will challenge NGN on performance against the promises set out in the Plan and the business' responsiveness to changing consumer needs.

The focus of the CEG will be on the following areas (list not exhaustive):

- Performance against key commitments in the plan

- The quality and inclusiveness of NGN's engagement
- How effectively the business has embedded engagement and innovation into business decisions and culture, and
- Performance in delivering strategic and operational changes in response to, and in partnership with, stakeholders

2.3. Development of NGN RIIO-3 business plan

The CEG will provide challenge on whether Northern Gas Networks' (NGN's) business plan addresses the needs and preferences of consumers.

The focus of the CEG will be on the following areas (list not exhaustive):

- NGN's overall priorities and approach, e.g. at a strategic level does NGN understand the range of changes happening within and to the energy system that could impact its activities?
- Proposed outputs and associated total expenditure ("Totex") budgets (including level of cost efficiency improvements) for example has NGN demonstrated whether its proposals for expenditure efficiency/ service quality improvement are sufficiently stretching? What evidence has NGN provided to allow them to assess how the output targets and expenditure proposals:
 - compare to historical levels of performance?
 - compare to other network companies?
 - compare to other industries?
- Quality of stakeholder engagement NGN has undertaken to inform their proposals, including whether their business plan proposals demonstrate

value for money by taking account of any willingness to pay for research.

- Approach and support provided to vulnerable consumers.
- NGN's approach to innovation, including incorporating innovation into business as usual, and including innovative approaches and initiatives from leading global network companies.
- The range of scenarios NGN has considered to anticipate future network requirements and NGN's approach to managing uncertainty and associated risks. This should include testing the business plans against more extreme scenarios (both significantly lower and higher demand) to ensure the business plan remains robust in the face of unforeseen changes.
- What alternatives to the investment proposals has NGN considered, including from parties offering alternative and non-network-based solutions?
- Any issues of particular relevance to NGN's local region – including any significant investment choices- and provide challenge to decisions made by NGN when considering competing interests and perspectives.

3. Exclusions to scope of CEG activities

The CEG will not be responsible for designing and running NGN's programme of stakeholder engagement, or for demonstrating that this has been done well- this remains the responsibility of NGN itself. The CEG will

not have decision making powers and is not expected by Ofgem to jointly 'own' the business plan.

The CEG will not discuss or review financial topics, such as the cost of capital, treatment of debt or the level of gearing in NGN.

4. Accountability

Each CEG member is expected to provide independent and constructive feedback and challenge, based on their expertise and insight, during the development of the RIIO 2 business plan.

CEG members do not represent an organisation or any one consumer group.

Whilst being independent from NGN, CEG members will comply with the company's standard policies

on anti-corruption, privacy and data protection and confidentiality policies.

In the context of their work scrutinising NGN's RIIO 2 business plan, CEG members are accountable to NGN consumers and wider stakeholders for their decisions and actions and should act solely in the public interest. This is enshrined in the CEG Code of Conduct, based on the 7 Nolan Principles:

Principle	Description
Selflessness	CEG members should act solely in terms of NGN’s consumers and wider stakeholders.
Integrity	CEG members 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.
Objectivity	CEG members must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias
Accountability	CEG members are accountable to NGN consumers and wider stakeholders for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
Openness	CEG members 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.
Honesty	CEG members should be truthful.
Leadership	CEG members 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.

5. Make up of the group

The CEG is formed of professionals from the public, voluntary, academic and commercial life with experience in the following sectors/groups:

- Innovation and the future of energy
- Environmental improvement and decarbonisation
- Public policy

- Commercial strategy
- Understanding of regulatory policy and regulatory framework
- Social inclusion and fuel poverty
- Stakeholder engagement
- Asset management

6. Quorum/ attendance

For a meeting of the CEG to be considered quorate, five members (including the Chair) must be in attendance. CEG members can attend by teleconference if they cannot attend the meeting in

person but will not be allowed to send stand-ins to meetings. In the event that the Chair cannot attend a meeting, members of the CEG will appoint a designated Chair.

7. Work programme

A work programme will be designed to enable the CEG to fulfil its role and will include;

- Bi-monthly CEG meetings;
- Sub-group sessions on each topic area
- Attendance at NGN stakeholder engagement events; and
- Engagement with Ofgem as required

More details around practical arrangements for providing input, feedback and challenge through these channels are set out in the Target Operating Model

Outputs from the CEG will include an annual assessment report based on a set of criteria.

In this report, the CEG will highlight how NGN has responded to issues and challenges raised. The report

will also highlight any areas of disagreement within the CEG and will provide visibility of a range of views and the choices NGN has made. It will also provide independent evidence of NGN’s planning and delivery processes that will be published on the CEG website and shared with key stakeholders.

In addition, the CEG will maintain a set of CEG effectiveness criteria. The criteria cover the following areas:

- Is the CEG set up and operated independently?
- Is the CEG providing rigorous challenge?

- Is the CEG challenge influencing the business to the benefit of customers?
- Is the CEG reporting in line with any Ofgem requirements?

The detailed criteria for RII0-2 are set out in an accompanying document

The CEG will review the effectiveness criteria periodically, and a CEG effectiveness dashboard will be updated by the CEG Secretariat (see ‘Relationship with NGN’) section below.

8. Relationship to key parties

It is important that the Chair and CEG members are, and are seen to be, independent from NGN and/or Ofgem. To build trust and legitimacy, appropriate governance

arrangements have been put in place to ensure transparency and to provide assurance that the CEG is operating at arm’s length from NGN.

8.1. Relationship with NGN

NGN is responsible for recruiting the Chair of the CEG.

As well as providing an appropriate remuneration package for the CEG Chair and Members, NGN is responsible for supporting the work of the CEG. To do this, NGN has provided a dedicated resource (‘Secretariat’) to the CEG Chair to assist with the running of the group .¹

In order to ensure that the CEG remains independent of NGN, specific requirements which should be adhered to have been developed. These cover:

- Development of forward work plan;
- NGN attendance at CEG meetings;
- Information requests for NGN; and
- Feedback to NGN management and Board.

More detail around these requirements is provided in the Target Operating Model.

8.2. Relationship with Ofgem and Challenge Group (This is subject to new guidance from Ofgem)

Ofgem’s role is to inform, enable, encourage, challenge and incentivise good quality engagement. During the RII0-3 planning phase it is envisaged that Ofgem will do this in a range of ways including

- Organising regular CEG user Group and CG Chairs meetings –to share information and learning;
- Providing a point of contact for CEG Chairs to use, and make itself available for bilateral engagement;
- Keeping its ‘Enhanced Stakeholder Engagement Guidance’ up to date as appropriate;
- Providing guidance to the CEG on the required content of its report; and

- Identifying and sharing good practice as required, so the CEG is clear of the benchmarks against which they can assess NGN.

The Groups will meet with Ofgem periodically (collectively and through the Chair as appropriate) to provide regular feedback to Ofgem on the progress made by the company, and on the process itself.

OFGEM’s assessment of the network companies is supported by an independent Challenge Group. The CEG is required by Ofgem to maintain regular contact and share information with the CCG.

¹ This includes ensuring papers are collected and circulated on time, assisting the chair with any meeting requirements, ensuring the correct attendees are present at each meeting, recording the minutes, and recording actions, information requests and feedback.

9. Termination

Members may be removed from the Group by the Chair immediately by notice in writing if they have:

- Failed to provide the Services for a continuous period of 12 weeks; or
- Committed any serious breach (in this instance, termination will be at the request of the Chair) or repeated or continued (after warning) any material breach of the Terms of Reference;
- Been guilty of conduct tending to bring themselves,

- the Company or any Group Company into disrepute; or
- Failed to discharge their duties efficiently or diligently.