**Independent Stakeholder Group (ISG) for Northern Gas Networks (NGN)**

**Terms of Reference – updated September 2024**

The ISG is part of enhanced engagement framework to ensure consumers and stakeholders remain at the heart of Norther Gas Networks’ business planning processes and ongoing delivery and decision-making.

The NGN ISG shall:

1. provide challenge and scrutiny as NGN develops its business plan for RIIO-3;
2. monitor, challenge and influence how NGN engages effectively with its stakeholders;
3. promote the interests of consumers and stakeholders and play an important role in holding the company to account in how it delivers on its commitments in RIIO-2 and RIIO-3 and how stakeholder views are used in decision-making processes;
4. seek all relevant information and data from NGN to allow it to fulfil its duties, to enable it to consider the business plan in the round, and ensure the Board of NGN is informed of its assessments;
5. assess the methodologies used by NGN in considering the quality and ambition of the business plan in line with the criteria Ofgem has set out in Stages A and C of the BPI;
6. seek to understand the bill impact and value for money for customers of NGN’s plans, including in the context of a declining customer base and uncertain future for gas;
7. determine how effectively key areas of concern to relevant customers and stakeholders have been addressed in the business plan;
8. respond to Ofgem’s Call for Evidence (to be published 18 December ’24 with 10 Feb ‘25 deadline) and to any requests for more specific information;
9. engage with the newly forming RESPs for the NGN region as appropriate;
10. provide a statement as part of the RIIO-3 Business Plan confirming the ISG’s role in the development of the plan how NGN consumers and stakeholders have shaped the plan.

On an ongoing basis the ISG will also:

* encourage a culture of effective stakeholder engagement;
* provide regular feedback to NGN on its performance, particularly where Ofgem does not monitor these through the Regulatory Reporting Pack (RRP);
* monitor the quality and inclusiveness of NGN’s stakeholder engagement;
* review the processes for embedding stakeholder engagement and innovation into business decisions and culture at an operational and Board level;
* review performance in delivering strategic and operational changes in response to, and in partnership with, stakeholders;
* identify new and emerging customer issues relevant for consideration in both RIIO-2 and RIIO-3 and how these are incorporated into the company’s business plans;
* review price control reopeners, particularly those that are likely to have a strategic and customer impact;
* engage with Ofgem and other ISGs to share insights and provide feedback.

#### Exclusions to scope of ISG activities

The ISG 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.
* have decision making powers.
* discuss or review financial topics, such as the cost of capital, treatment of debt or the level of gearing in NGN. Nor shall it scrutinise matters relating to cyber, IT or physical security.
* be accountable for the final detail of NGN’s business plan. It exists to provide independent scrutiny and challenge from a consumer perspective. The ultimate decisions regarding the content of NGN’s final business plan rests with the NGN Board.

#### Accountability

Each ISG member is expected to provide independent and constructive feedback and challenge, based on their expertise and insight.

ISG members do not represent an organisation.

Whilst being independent from NGN, ISG 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-3 business plan, ISG members are accountable to NGN customers and wider stakeholders for their decisions and actions and should act solely in the public interest.

This is enshrined in the ISG Code of Conduct, based on the 7 Nolan Principles:

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| **Principle** | **Description** |
| Selflessness | ISG members should act solely in terms of NGN’s consumers and wider stakeholders. |
| Integrity | ISG 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 | ISG members must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias |
| Accountability | ISG 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 | ISG 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  | ISG members should be truthful. |
| Leadership | ISG 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. |

#### Appointment to and Composition of the Group

The ISG is formed of professionals with backgrounds ranging across public, voluntary, academic and commercial sectors, reflecting experience or skills in the following areas:

* Innovation and the future of energy
* Environmental improvement, sustainability and decarbonisation
* Public policy
* Commercial strategy
* Regulatory policy and regulatory framework
* Social inclusion and fuel poverty
* Stakeholder engagement
* Asset management

Membership will be refreshed through an open recruitment process overseen by the Chair and a subgroup of the ISG. Contracts will be time limited.

#### Meetings

Meetings are held in person or via electronic means. For a full meeting of the ISG to be considered quorate, five members (including the Chair) must be in attendance. In the event that the Chair cannot attend a meeting, members of the ISG will appoint a designated Chair.

Member only sessions are conducted at each meeting to review the presentations received without NGN present and to formulate an agreed position to feedback to the company on the quality of data and information received.

#### Work programme

An annual work programme will be developed to enable the ISG to fulfil its role and address the themes and issues set out above. It will involve:

* Regular full ISG meetings;
* Sub-group sessions and deep dives on key topic areas
* Attendance at NGN stakeholder engagement events; and
* Engagement with Ofgem and other bodies as required

#### Transparency

It is important that the Chair and ISG members are, and are seen to be, independent from NGN and/or Ofgem. To build trust and legitimacy, this TOR and other appropriate governance arrangements have been put in place to ensure transparency and to provide assurance that the group is operating at arm’s length from NGN to fulfil its remit.

The main output relating to the RIIO-3 business planning process will be the ISG’s response to Ofgem’s Call for Evidence which will be made available in line with Ofgem guidance. The ISG’s main ongoing output will be an annual assessment report which will be publicly available and shared with stakeholders.

In addition, the ISG will annually review its effectiveness criteria to demonstrate that it is providing rigorous challenge; and is influencing the business to the benefit of consumers and stakeholders.

#### Relationship with NGN

NGN is responsible for recruiting the Chair of the ISG.

As well as providing an appropriate remuneration package for the ISG Chair and Members, NGN is responsible for supporting the work of the Group.

The ISG has regular interface with the senior management team. The views of the Group are fed into NGN’s decision-making and assurance processes via the senior business leads, and through regular communication with the Chief Executive.

In order to ensure that the ISG remains independent of NGN, specific requirements have been developed. These cover:

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

### Background

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 Group and NGN revised its Terms of Reference in June 2021. These were subsequently updated following an evaluation by Ofgem of the CEGs’ work to reflect recommendations on how companies should continue to reflect customer views in their decision-making on an ongoing basis.

Key roles that the ISG took on were:

* Monitoring NGN’s delivery of its commitments and customer outcomes during the RIIO-2 period providing constructive challenge and oversight of performance;
* Scrutiny of the development of NGN’s RIIO-3 business plan, sharing professional insights and experience and identifying emerging issues for the next price control period; and
* Ongoing engagement with relevant stakeholders and regulators, to provide a degree of assurance to OFGEM that design and delivery mechanisms reflect consider customer views and interests.

Key topics for the Group have included:

* Future Networks: Whole systems, transition to low carbon gases and related innovation programmes;
* Environment: Environmental Action Plan areas not covered by the Future Network workstream;
* Social and Customer Service: ensuring improvements support and align with real need;
* Systems and Operations: Digitisation and Work Place resilience;
* Stakeholder Engagement and Innovation: that underpin the areas above.

Outputs for the group have included:

* A regular blog published on the ISG/CEG website; an annual report including a review of effectiveness; feedback to the company senior management teams and Board.
* The ISG has also provided very detailed feedback to NGN on the first draft of its business plan which it reviewed in June 2024.

The previous Terms of Reference for the CEG sat alongside other CEG governance documents:

* **Target Operating Model:** which set out the way the CEG will conduct its work
* **CEG effectiveness criteria:** these were developed by the NGN CEG to allow an assessment of its influence and impact.