

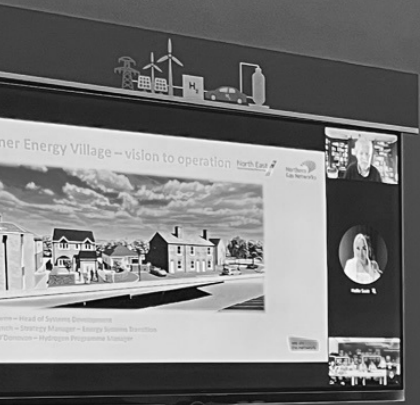


**Customer
Engagement Group**

NGN CEG Report

2022/23

30 June 2022



Newcastle University
Northern Gas Networks
NORTHERN POWERGRID
in partnership with
Energy Systems Research Centre

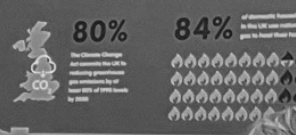
Pioneering an integrated energy future together

We're breaking down traditional system barriers between transport, gas, and electricity to fast-track the UK's progression towards a secure, affordable, low carbon energy future.

IntEGReT will test, integrate and optimise new approaches, utilising digital and innovative energy technologies to create more fluid and efficient ways to generate, store and transport energy.



Meeting



15%

Carbon emissions from households have fallen by 15% since 1990 and continue to fall



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Executive summary and Chair's introduction

This annual report for 2022-23 from the Customer Engagement Group (CEG) for Northern Gas Networks (NGN) sets out our assessments of how well the Company has considered stakeholder and customer views to shape delivery of its commitments and targets during the second year of its business plan for the period 2021-2026.

This has been another challenging year for many of NGN's customers and whilst the network charges represent a relatively small percentage of the overall energy bill, it is important that customers receive value for money along with high standards of service.

I am grateful to all of my colleagues on the CEG for their work over the year and NGN for the positive engagement we have had and response to our challenges. We were pleased to have the attendance of the Chief Executive, Mark Horsley, who provided timely updates and was open to challenge on any area of the business, and a non-executive member of the Board, Paul Rogerson, observe our bimonthly meetings enabling transparency and feedback to the Board on matters of concern to the CEG. I wish to pay tribute to 3 members of the CEG, Melanie Laws, Dave Wright and Simon Pringle, who are leaving the group at the end of June having served almost 5 years. We have started to refresh the group and welcome two new members joining from NGN's Young Innovators Council – Charlotte Allan and Yvana Ferrera.

Jenny Saunders CBE, DCL
Chair NGN CEG

What is this report all about?

This report provides an overview of the work undertaken by the Customer Engagement Group (CEG) for Northern Gas Network (NGN) for the year ending March 2023, which is the second year of the current GD2 price control period (2021-2026).

Our terms of reference (TOR) were reviewed but no material changes were made to our governance documents. The TOR document can be found on our website at: <https://ngnceg.co.uk/wp-content/uploads/2022/02/CEG-TOR-Jan-2022-final.docx> We have remained focussed on ensuring that stakeholders and customers are engaged in the planning and delivery of NGN's activities, and that their views are properly considered in the Company's decision-making processes.

In our last report we described how we had taken a broad overview to how the Company had started to deliver its business plan commitments. This year we have focussed our scrutiny more narrowly on specific areas of activity, particularly those where we felt there needed to be significant engagement with customers and stakeholders.

NGN's own end of year (RRP) performance report to Ofgem was being compiled as we prepared this report, and we received a briefing in June which demonstrated high levels of performance, meeting or exceeding regulatory targets in virtually all areas. Whilst our role is not to audit the Company, we recognise and reference in this report where NGN has performed well – with increased customer service standards in some areas – but we also highlight areas where we think

the Company could do more, and needs to get back on track, for example, environmental commitments.

We have included a summary of our work programme and engagement activities on which the evidence in this report is built, and we reference a separate report which has been provided to NGN and Ofgem on how we have met our own effectiveness criteria.

As well as encouraging NGN to seek a wide range of stakeholder and customer views, we have also offered our own views – based on our professional knowledge and areas of expertise - to ensure the decisions that NGN need to make reflect the changing needs and preferences of people in our region.

Over the past year there has been a strong focus on how NGN is playing its role in supporting customers in vulnerable situations, challenging whether the company was really doing enough to help households through the cost of living crisis. In this report we consider how well NGN responded by building capacity internally and within delivery partners to support more customers through this period of high inflation and extra demand for their services.

In the following sections of this report, we highlight the key issues and challenges we raised and the responses we received.

Why should you read this report?

- We hope that you will find evidence of how the company has been performing in response to the engagement it has had with its customers and stakeholders – of which you are one or the other – or both!
- It provides some insights into the benefits that stakeholder engagement can have in delivering more meaningful outcomes for people living in NGN's region. And we hope that it will encourage you to engage with NGN in the coming year to continue to shape the way in which NGN works that:
 - ensures high standards of customer service;
 - provides extra support to customers in vulnerable situations;
 - maintains a reliable and resilient network;
 - and that any negative impacts it has on the environment are reduced and more positive actions are taken to address its carbon footprint and enhance local communities.

The importance of stakeholder engagement cannot be underestimated – or can it?

So what were the main issues raised by the CEG on behalf of stakeholders this year? And what was NGN response?

NGN has been on an important journey in developing more meaningful conversations with people it serves. The CEG has been monitoring the impacts of its efforts to communicate effectively – both listening and sharing information and data that is meaningful to its stakeholders. Over the past 4-5 years we have witnessed the development of a professional stakeholder engagement strategy tailored to the priorities customers have said are important. But that alone is not enough and the CEG looks for evidence on how that engagement has led to better outcomes.

The communication channels by which NGN engages, and the type of information that stakeholders and customers need to make informed decisions are constantly changing.

Good practice has become embedded in some areas – for example Customers in Vulnerable Situations (CIVS) and latterly with bio- methane producers.

The CEG has observed many of the stakeholder events and interactions, and we have helped to make sure that the views and concerns expressed at those events are properly considered and acted on by the relevant manager. Similarly, we have scrutinised customer surveys and research to ensure the way in which questions are framed can be understood by the intended audiences.

This has been another challenging year for many of NGN's customers and whilst the network charges represent a relatively small percentage of the overall energy bill, it is important that customers receive value for money along with high standards of service.

Please read the main body of our report for details and context, but highlighted across are a list of our main observations and recommendations for this year.

Key issues and challenges raised

- Opportunity to redirect resources from the Fuel Poor Network Extension scheme to other projects to support low income households
- Open and transparent engagement in developing a customer proposition for the Redcar Hydrogen Trial
- Safe behaviour training recommended to minimise incidents
- Providing meaningful immediate support to people experiencing the cost of living crisis to be a priority for new social spend

Positive NGN developments

- Meaningful stakeholder engagement has been firmly embedded in the culture of the Company
- Additional support identified to address gaps in support provided to customers in vulnerable situations based on engagement with, and evidence from, NGN's delivery partners
- CEG endorsed NGN's stakeholder engagement in developing its submission to trial 100% hydrogen in an area of Redcar
- New collaborations with other utilities in the region to share resources during major incidents to get help faster to communities and individuals, particularly those on the Priority Services Register
- Commitments to customers delivered and exceeded in some areas
- Timely review of the innovation strategy and governance
- Safety behaviours training rolled out across the Company
- Citizens Panel and Young Innovators Council now well established but with refreshed membership
- Evidence of Diversity, Equality and Inclusion (DEI) strategy being implemented.

Issues requiring more focus by NGN, Ofgem and others

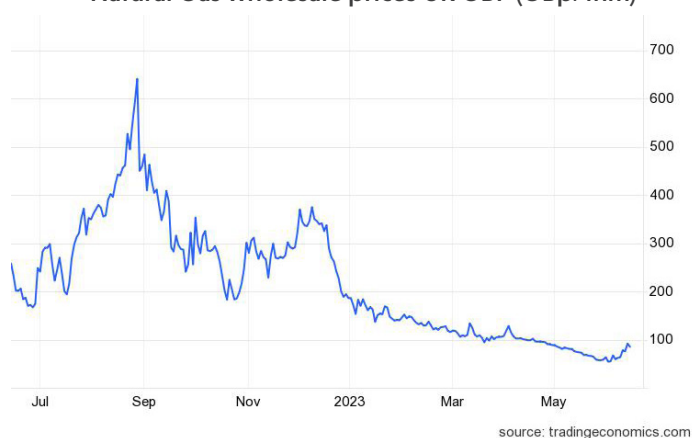
- Processes that provide more evidence of stakeholder views leading to improved outcomes should be further developed internally within NGN
- Independent and reliable analysis of the case for hydrogen for heating with enhanced public engagement on future heating sources
- Demonstration of greater customer benefits from innovation programme including the development of the Customer Portal
- Ongoing need to provide advice and support to customers in financial hardship and other vulnerable circumstances
- Evidence of customer benefits in business as usual activities from innovation programmes
- Engagement and innovation strategies for the Customer Energy Village site
- Shrinkage is further minimised and the overall business carbon footprint is reduced
- Informed, transparent and open public debate on hydrogen for heat -costs/safety/deliverability/environmental impact
- Greater role for AI in network management
- How NGN can improve its DEI outcomes

2 What external factors have impacted delivery of stakeholder needs and company targets?

Energy Prices

This has been another very difficult year for millions of households across the country, and NGN's region has a relatively high number of households living in underheated homes due to the economic crisis and continuing high energy prices. Whilst there has been some support towards energy costs for domestic customers and businesses, energy bills remain unaffordable for millions of people on the lowest incomes. Whilst NGN has delivered very high levels of customer service, having exceeded last year's Customer Satisfaction (CSAT) scores, the reality for too many of its customers has been cold and underheated homes with increasing levels of debt and/or having to make do without other basic services. National Energy Action (NEA) has estimated the number of households living in fuel poverty has risen this year, despite the Energy Price Cap and financial support mechanisms, disproportionately impacting people in the Yorkshire and Humber region in particular.

Natural Gas wholesale prices UK GBP (GBp/thm)



Government policy announcements

The overall context of Government energy policy hasn't shifted massively over the course of the year but a new ministerial Department for Energy Security and Net Zero (Desnz) was established in February with a clear focus on decarbonising the energy system. Whilst Climate Change emissions targets remain in place, ensuring adequate and secure supplies of gas has also been a particular concern given the continuing war in Ukraine and the shift away from Russian supplies of gas by most of Europe. A new Energy Efficiency Task Force has been created but environmental groups continue to highlight the lack of financial support to reduce energy demand.

What have new research and other reports been revealing?

There has been a plethora of reports by industry and new academic research published this year which also shape the context for NGN's business commitments.

The EnergyRev consortium and other partners in the Prospering from the Energy Revolution have been concluding their work on how smart local energy systems can deliver a transition to Net Zero at lower cost through better whole systems planning. (See in a following section what we have said about developments at the InTREGeL site at Gateshead where NGN and its partners are making strides to deliver smarter integrated systems in its region.)

Whole systems planning is now firmly on the agenda for Ofgem to ensure existing assets are optimised.

The headline results of the 5-year H21 hydrogen safety research, in which NGN was a key partner, were shared with the CEG. Whilst this work is still to be made public, the CEG proposed that any evidence was built into the customer engagement programme with residents in Redcar – as part of NGN's bid to run a hydrogen village trial on behalf of DESNZ (decision on preferred location expected by end June with final DESNZ decision in September) Please also read our section on safety (pg 20). We also challenged the company to look at analysis of the cost of hydrogen done by other agencies and not just the gas network companies. There are very different assumptions about the total amounts and where the costs will be borne that must be made clearer to the public.

Citizens Advice (CA) have produced monthly updates on the cost of living crisis for delivery partners and policy makers to help CA understand the scale and changing nature of the problems faced by people who use their services. National Energy Action (NEA) was engaged by NGN to do some research into how the company should respond in more meaningful ways to meet the needs of people who find themselves in economic difficulty. Referencing new evidence sources, the CEG was able to push NGN for additional support to help a greater number of people in crisis in the region.

3 Regulatory framework- what is the current and proposed framework(s) for the next price control period?

NGN and the other gas network distribution companies, and the gas and electricity transition companies

The period covered in this report represents year 2 of the current regulatory period 2021-26. Gas network companies are required to report annually to Ofgem on their agreed performance against targets and may submit proposals to 'reopen' their licence agreement with Ofgem if major new works are identified that are required or result from external changes before the next price control period. The CEG has only been informed of one Reopener this year regarding Cyber Security, but none where stakeholder views should be sought.

Final Determinations on the business plans for electricity distribution RIIO-2 2023-2028 (Distribution Network Operators - DNOs)

The RIIO-2 regulatory framework for the gas network companies was followed two years later for the electricity distribution companies and is to run from 1 April 2023-to 30 March 2028. The same principles were applied regarding evidence of stakeholder and customer engagement and a number of specific

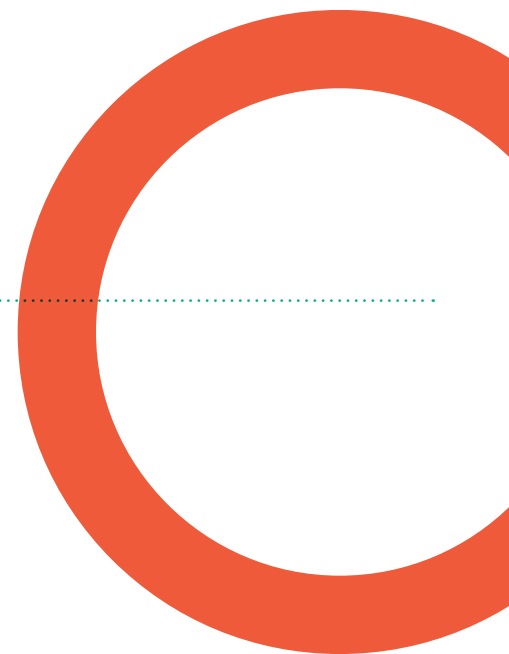
new obligations were placed on the DNOs that had not been in place in RIIO-1, particularly in relation to vulnerable customers, environmental impacts and more generally higher customer satisfaction scores. Final decisions on the plans were issued by Ofgem at the end of 2022 and the new price control period started 1 April 2023.

The NGN CEG are interested in particular in the obligations and commitments in Northern Powergrid's business plan given the geographic overlap with NGN's region, sharing many of the same key stakeholders, and where activities naturally come together such as developing a whole energy systems approach, supporting customers in major incidents, membership of the Priority Services Register, supporting the development of Local Area Energy Plans.

We have been encouraged by some early collaborations, but more work will be needed to ensure customers and stakeholders can engage with both companies effectively and efficiently.

Consultation on the next regulatory period for gas networks 2026-

Ofgem issued an open letter to the industry in November 2022 setting out



early thinking for the next price control period for gas networks beyond the current RII0-2 period 2021-2026.

NGN's response to this document was to suggest an extension of the current RII0-2 framework until 2028 to allow for clearer policy direction on hydrogen and heat; a legal framework for the proposed new Future Energy Systems Operator (FSO) and its role in gas systems operations; and to allow for smart whole systems planning across the sectors.

Ofgem issued a formal consultation in March 2023 on possible new regulatory frameworks and potentially different time periods. The CEG has developed its response to the consultation following discussions with the company, other CEGs and NGN. A copy can be found on our website at <https://ngnceg.co.uk/wp-content/uploads/2023/05/NGN-CEG-REsponse-to-FNRF-May-2023.docx>.

In brief we support an extension to the current price control period and fewer controls for some business-as-usual activities such as maintenance and replacement of the network.

We remain concerned about how well a new FSO will be able to take on a regional role and Ofgem's proposals for greater local governance of energy systems requires more thinking and local engagement.

The Chairs of the enduring CEGs and User Groups for the Transmission Companies (UGs) met with Ofgem to seek assurances that any future framework would continue to ensure that the needs and preferences of customers would be properly taken into

consideration. This will be increasingly important as efforts to decarbonise the energy system step up to meet challenging Net Zero targets whilst energy bills have become unaffordable for millions of households.

Delivering Ofgem recommendations for CEGs – emerging themes/ reopeners

Ofgem has asked the current CEGs to report on any emerging themes impacting stakeholders and to scrutinise how the companies engage stakeholders in any major new programmes proposed under the RII0-2 Uncertainty Mechanisms where these require a re-opening of the business plan and a full submission for approval to Ofgem (ie – projects that were not certain to go ahead when the business plan was produced.

In the case of NGN there have been no reopeners during this year. We have however been closely following the way in which NGN is consulting and talking to stakeholders and customers about hydrogen (see later sections)

Health and Safety Executive (HSE) and the Maintenance and Replacement of the gas network

The CEG has maintained oversight of the REPEX (Replacement Expenditure) programme in relation to the overarching themes that are important to customers – safety and reliability. There are legal requirements that are set by the HSE which are under review. We propose to look at this in more detail as part of the planning for the next price control period and the future of the gas network.

4 CEG activities for the year – how have we been carrying out our remit?

The CEG continued to hold bimonthly meetings scrutinising a range of topics across the three main delivery strands of Customer Service; Future Energy; and Environmental Action Plan commitments. We work in different ways on each topic area but fundamentally we seek to ensure that all plans are being informed by stakeholder engagement.

We raise some fundamental challenges on an ongoing basis across all areas of NGN's work. The list below provides examples of the type of basic questioning that NGN business leads can anticipate so that they can prepare their presentations appropriately:

- What stakeholder engagement has informed delivery?
- What customer benefits/impacts will result (short and longer term)?
- How will you feedback to stakeholders and what mechanisms will you use?
- Are you collaborating effectively and engaging the right people?

- What are helpful benchmarks and experiences from other sectors?
- How do you know that you are innovating efficiently?
- How are you overcoming barriers to delivery?

Follow up on issues prioritised in last year's annual report.

In last year's report we pledged to monitor a number of enabling activities aimed at providing customers with a better service and addressing some of the business challenges. These are reported on in chapter 5 below and include:

- Resilience and safety (deep-dive session)
- Data and Digitalisation strategy including the development of a Connections Portal and Cyber Security
- Diversity, Equality and Inclusion (DEI) to support existing programmes and reflect local communities in the make-up of the workforce.

CEG work programme

NGN representatives present at each full CEG bimonthly meeting and standing items:

- Mark Horsley (business update)
- Paul Rogerson Non Exec NGN Board
- Bina Dixon/Hollie Scott (CEG secretariat)
- Jenny Wilkinson (Stakeholder Engagement)

Closed session CEG members only.

Between bimonthly meetings subgroups met to follow up actions/ discussions with business leads or to undertake deep dives into topics discussed at or to be introduced at the full meetings.



2022/23 work programme

CEG Date	Agenda topics	Location- NGN offices/depots	NGN Staff
06/06/22	<p>Future Networks: Hydrogen Village Customer engagement strategy</p> <p>Social and Customer: NIA Vulnerability Innovation Projects</p> <p>CEG Work Programme</p> <p>Stakeholder Update Local Area Energy Plans impact on Future Networks planning</p>	Thorpe Park Leeds	<p>Mel Taylor</p> <p>Steve Dacre</p> <p>Jenny Wilkinson</p>
01/08/22	<p>Future Networks: Customer Energy Village / Hydrogen House</p> <p>Environment: EAP reporting requirements/ Environment and Sustainability Working Group.</p> <p>Social: Vulnerability and Carbon Monoxide Allowances (VCMA) spend</p> <p>Stakeholder Update – Future Plan and Annual Conference</p>	Low Thornley, Gateshead	<p>Alex Brightman</p> <p>Mahliqa Nisar</p> <p>Neil Whalley</p> <p>Eileen Brown</p> <p>Jenny Wilkinson</p>
03/10/22	<p>Future Networks: Site visit to Redcar Hydrogen Community trial area and update on proposals and customer engagement</p> <p>Stakeholder Update – Conference feedback and influence on strategic plans</p> <p>Future Networks: Cost Pathways for Hydrogen – Electricity Networks Association (ENA) Research findings</p> <p>Health and Safety</p>	Redcar Project Offices	<p>Fergal O'Donovan/Laura Robson</p> <p>Jenny Wilkinson</p> <p>Dean Pearson</p> <p>Andrew Grant</p>
05/12/22	<p>Environment: NGN Sustainability strategy and working group; Tree Planting & Customer Perception Survey</p> <p>Social – PSR; Social Challenges and future of Fuel Poor Network Extension scheme/ alternative spend</p> <p>Regulatory Update – Ofgem Open Letter beyond RIIO-2</p> <p>Energy Futures: H21 safety research findings and customers perceptions research (Leeds Beckett)</p> <p>Stakeholder Update - cross utility engagement and collaboration to ensure asset resilience (inc LRFs)</p>	Teams	<p>Neil Whalley</p> <p>Eileen Brown</p> <p>Gareth Mills/Greg Dodd</p> <p>Tim Harwood</p> <p>Jenny Wilkinson</p>

6/2/23	<p>Stakeholder Update - Customer perceptions feedback/engagement calendar</p> <p>Innovation Review of governance, management, processes, current and planned projects.</p> <p>Social: VCMA/Delivery Partner Capacity.</p>	Thorpe Park Leeds	<p>Jenny Wilkinson</p> <p>Keith Owen</p> <p>Eileen Brown</p>
27/03/23	<p>Resilient Networks: Site visit to the Doxford office – meet operational teams/departments</p> <p>Resilient People: Recruitment, DEI, future skills (progress over the last year) written paper</p> <p>Customer- satisfaction and care.</p> <p>Digital – resilience and cyber security - customer experience, portal, AI.</p> <p>Regulatory framework – NGN considerations to Ofgem consultation</p> <p>Local Resilience Forums Current engagement, roles and responsibilities, making a difference to delivery?</p> <p>Biomethane – update on engagement, new connections, regulatory barriers, challenges and 23/24 priorities.</p> <p>Stakeholder - joint initiatives being developed between NGN and NPg on stakeholder engagement –</p> <p>CEG effectiveness review (annual report to NGN – closed session)</p>	Doxford, Sunderland	<p>Ian Cooper/Ian Waddle</p> <p>Lindsey Filer (written paper)</p> <p>Kirsten Wood / (Eileen Brown)</p> <p>Matthew Little (written paper)</p> <p>Mark Horsley</p> <p>Duncan Lawton</p> <p>Emma Buckton</p> <p>Jenny Wilkinson</p>
05/06/23	<p>Innovation - Customer Energy Village and Projects</p> <p>RRP</p> <p>Future Networks - CEV, Hydrogen Village and Town trials</p>	Low Thornley, Gateshead	<p>Keith Owen</p> <p>Fergal O'Donovan</p> <p>David Lynch</p> <p>Bina Dixon</p> <p>Dean Pearson</p> <p>Tim Harwood</p> <p>Neil Travers</p>

Enabling Delivery

In last year's report we pledged to monitor some enabling activities that aimed to provide customers with a better service, and address business challenges. Whilst these have not been the main focus of our work, we felt it important to maintain oversight of developments relating to:

Diversity, Equality and Inclusion (DEI)

to support existing programmes and reflect local communities in the make-up of the workforce.

The CEG has kept a watching brief on how the company has been recruiting, retaining, rewarding and progressing its workforce through the lens of diversity, equality and inclusion. NGN reported to us how it had been taking forward these important areas of work and we have witnessed improvements in the approach taken through a number of initiatives, including new apprenticeships, employee workshops on inclusion and diversity, and safety behaviours.

The company is supporting a number of initiatives to help employees with serious health diagnoses and disabled employees, and to consolidate its commitments to all colleagues.

It is clear that the company has taken forward the work it set out to do to implement its strategy in a number of areas. It exceeded its target to recruit 20% apprenticeships as female with 9 of the 25 new apprentices this year being female. We were pleased to see that some of the suggestions from the CEG had been followed to help recruit from a wider socio-economic background.

This is an area we intend to consider in more detail in the coming year with deep dives to better understand how NGN is developing DEI and how this might help improve the customer experience.

Data and Digitalisation and Cyber Security including the development of a Connections Portal,

There have been no deep dive sessions this year on these issues, but the CEG has received updates and has noted the progress made in developing NGN's Data and Digitalisation Strategy (which you can read by following this link) <https://www.northerngasnetworks.co.uk/previous-plan/the-future/digitalisation-strategy/>

NGN has reported to us how it is looking outside the sector to improve the customer journey through better use of data. We plan to review forthcoming developments including the use of AI to improve data quality, and how it can be used to predict water ingress and thereby improve operational efficiency through more targeted site visits.

PWC has overseen the development activities and provided testing capacity, but it is expected that some systems changes will become embedded in BAU with less oversight required.

At this stage it is unclear to the CEG whether the full potential of the new Customer Portal will be fully optimised, and we shall seek to explore the customer benefits available in more depth in the coming year.

Cyber security is growing increasingly important. The CEG sought reassurance that the company is on track with its proposed plan. We received a report to that effect in March 2023 which identified lower risk scores, but along with other companies, additional reporting requirements were required by Ofgem. A Reopener submission was made in January 2023 for additional resources to achieve a new industry standard.

5 NGN delivery year 2 RIIO-2 - meeting stakeholder expectations

Where did we challenge and how did NGN respond?

We received a presentation from NGN at our June 23 CEG meeting on the key deliverables reported to Ofgem for 2022/23. We welcomed the progress made in meeting their main obligations. All reports to us this year have shown progress, but where some deliverables for the 5 years have

not been on track, the Company reported that plans had been put in place to address any shortcomings.

Whilst the CEG sought to monitor key commitments to stakeholders and customers across all of the business plan, as noted in our introduction, we decided to focus on areas that would be most impactful.

Deep dive topics

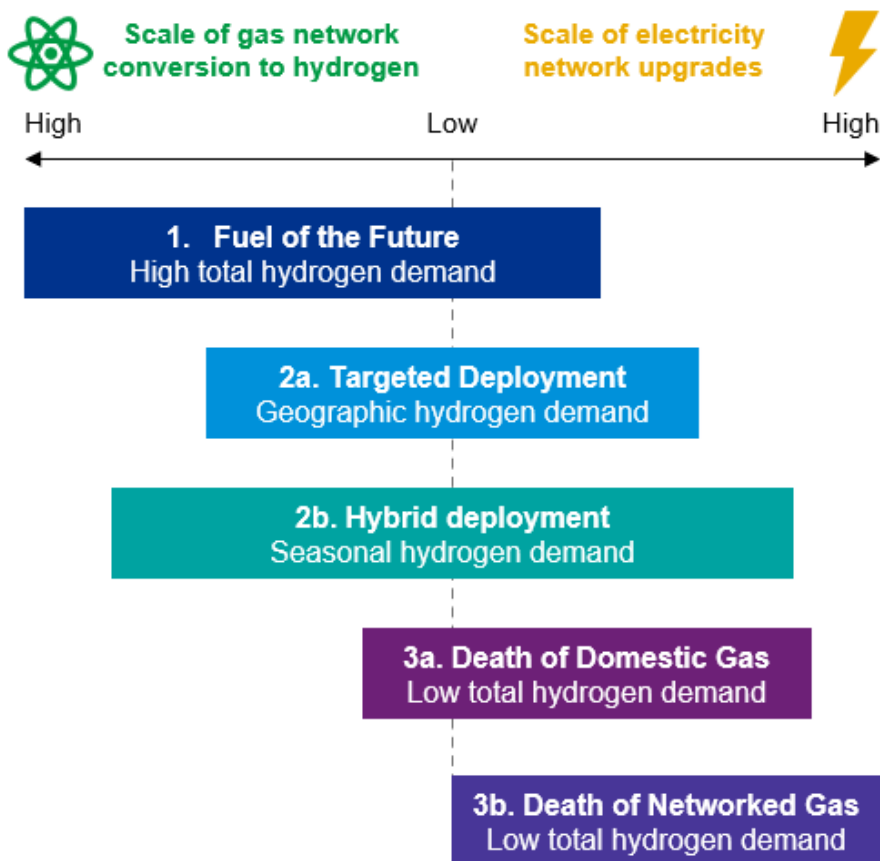
FUTURE NETWORKS – HYDROGEN

In May 2022 NGN presented to the CEG 4 feasible scenarios for the future of a gas network.

NGN has continued to develop its research and thinking to inform how its assets might be repurposed to supply hydrogen. In its business plan for RIIO-2, NGN also highlighted the possible pathways to net zero. It has been part of a number of joint research projects which highlight the challenges and opportunities ahead relating to safety, costs, hydrogen production and customer acceptance.

NGN has established a new non-regulated hydrogen business and the CEG challenged the Company to retain a strong management focus on GD2 commitments and customer issues arising from regulated business activities.

Greater policy certainty around hydrogen for heating has been promised by 2026, and NGN has been very proactive in sharing lessons from its Hydrogen House demonstrator, and a 20% hydrogen blending project in Gateshead, which we observed and commented on last year.



CEG and the Redcar Hydrogen Community

The CEG continued to be highly engaged in the NGN Future Networks programme, focusing this year on a bid to Department for Energy Security and Net-Zero (DESNZ) to run a village-scale network conversion to 100% hydrogen for homes and businesses in an area of Redcar. We assessed the customer engagement strategy through the planning process for the bid and considered how well NGN responded to the concerns of the community.

Our involvement started with the early design of the trial proposal and the draft stakeholder and customer engagement strategy, and it continued through the subsequent development and roll out of the strategy and related activities. The CEG was highly engaged with NGN's Redcar Hydrogen Community team and observed the following public facing events:

- drop-in sessions at the project offices in the town hall, where NGN plan to have a permanent presence for the duration of the project.
- information events at the Hydrogen Hub, a converted high street shop which houses displays and information about the project including:
 - 13th February – 'Why net zero, why hydrogen and why is the Government planning a hydrogen village?'
 - 21st February – 'Producing hydrogen for Redcar', plus representatives from National Energy Action providing energy related advice, including costs and usage.
 - 28th February – 'Gas and Hydrogen Safety'
 - 9th March – 'Hydrogen appliances'

All the public events were well represented by NGN (and partners) and all conversations were captured, which allowed for FAQ's to be developed with regular updates on the project website. It must be noted however that there were relatively low numbers of residents and businesses who attended these events.



Wider engagement was achieved through customer surveys which the CEG reviewed in draft format to ensure all information was meaningful, understandable and factual. But most constructive engagement was via a Citizen's Panel which met regularly and provided deep insights into NGN's residents' views to help develop the customer proposition for the project (ie what options would be offered and the customer journey from start to exit). The make-up of the panel was balanced with residents who were initially both for and against the project. A 3rd party agency selected the panel and facilitated the discussions, and when needed NGN left the room so not to bias the outcome. Topics discussed were wide ranging from fundamental issues of safety and cost, to the impact on local jobs and choice of appliances.

A CEG subgroup held two focussed meetings with NGN and KPMG to consider and challenge the customer proposition (before and after a draft was considered by the Citizen's Panel)

We also received and commented on other evidence including academic research on customer attitudes from Leeds Beckett University and the H₂ hydrogen safety project.

Following this in-depth review process the CEG endorsed the approach taken by NGN to stakeholder engagement. The company dedicated significant resources both internally and through external professional agencies to deliver an extensive programme of work - resulting in a clear customer proposition which addresses the issues raised by residents and stakeholders – including ourselves.

Throughout the process the CEG was aware of the higher level of customer concern at the other potential village trial site (Whitby in the CADENT network area), which also had some impact on the Redcar project (negative posts on Facebook groups, door to door visits, leaflets, news articles etc). We note NGN sought to clarify all statements in an open and professional manner.

The Redcar community continues to offer a high level of support for the project.

Overall, we observed the NGN project team adapting their plans and working on different approaches to increase engagement and ultimately, acceptance for the trial. They listened to suggestions but were able to anticipate many of our queries and had already started to think about, or implement, many of our suggestions. They have developed strong local government relationships and support which has encouraged positive public support for the project. The final submission was made to DESNZ at the end of March and a decision is imminent for the preferred location, with a proposed start date for the successful trial bid of September 2023- completing in 2025.

Hydrogen House – Low Thornley Gateshead site

The Hydrogen house continues to be well used by NGN as an education centre to engage stakeholders in the use of hydrogen for domestic heating.

The house is on a large site which is being developed for research and innovation. A Customer Energy Village comprising different housing archetypes has been under construction and the CEG has reviewed plans for the site and visited in June 2023, just prior to signing off this report. We plan to monitor how the site will operate in the future to deliver customer value in supporting low carbon heat innovation and network testing to inform energy systems changes.



CEG Focus for 2023-24

- If successful in its bid to deliver the Redcar Hydrogen Community project, the CEG will closely monitor the stakeholder engagement strategy.
- NGN has also submitted bids to DESNZ to deliver a town-size hydrogen network conversion and again, if successful in being invited to tender we shall closely monitor the engagement strategy to ensure lessons learned and good practice from Redcar are evident and built into the project.
- We also intend to monitor activities at the Integrated Transport Gas Electric Research Laboratory (InTEGReL) site at Low Thornley including the Customer Energy Village and other research and innovation projects run by NGN and other partners at the site.

DELIVERING AN ENVIRONMENTALLY SUSTAINABLE NETWORK

There were three key themes that the CEG chose to focus on this year: Operational delivery of NGN's Environmental Action Plan (EAP); Reporting to stakeholders on the EAP and Sustainability Strategy, and Supply Chain issues. The subgroup met just twice this year in order to drill down into these topics, and explore the challenges we raised, but there were also a number of bilateral discussions that took place between members of the group and the responsible managers and the CEG received presentations and updates on a regular basis at our bimonthly meetings.

NGN's annual Customer Perceptions Survey report for 2023 revealed that whilst environmental and climate change concerns remained high, affordability and security of supply were top scorers. We accept this is the likely outcome of the energy and cost of living crises faced by many customers and it has not detracted NGN from its environmental commitments.

Operational footprint (including renewable energy generation at NGN sites to support business activities)

The CEG considered the ongoing review of the NGN property profile and maintained a focus on the potential for introducing more renewable energy and energy saving technologies. NGN commitments are being rolled out to install renewable generation where practical and the CEG encouraged NGN to consider increasing the amount of renewable energy through working with landlords/owners of some of the Company's sites.

Fleet

Challenges raised by the CEG in the development of NGN's commitments for this price control period have resulted in positive action by the Company in terms of the pace and extent of change in decarbonising its fleet. The CEG received testimony directly from NGN's Head of Fleet to support this positive impact.

We placed our focus on customer experience of fleet emissions (on a community basis) and this links to other initiatives such as tree planting to address air quality in communities where air quality is poor.

The CEG continued to encourage collaboration with other network utilities and fleet users across the region to encourage the development of infrastructure and (potentially) to encourage the supply of appropriate vehicles given delays in global supply chains.

Waste Management

NGN has maintained an ongoing focus on waste management and recognises the importance to address both single use plastics and reduction of waste to landfill from both offices and site locations. However, there are practical challenges that we have been made aware of that need to be addressed.

Whilst there has been little direct engagement with this agenda within this reporting year it is a topic the CEG will pick up on in the coming year.

Decommissioning Gas Holders

We report below under Health and Safety on the decommissioning of gas holders and the repurposing of brownfield sites. It is our intention to consider at a forthcoming meeting how efforts to increase biodiversity at these sites is progressing.

Shrinkage/leakage/fugitive emissions

Gas leakage from the network pipes has a materially more significant global impact than any other area of NGN's operations. At our visit to NGN's Control Room in March we heard how pressure has been managed during the winter period to help limit leakage. (Higher pressure due to greater demand can result in more leakage.)

There is an ongoing challenge for NGN to reduce the amount of leakage across its operational footprint, and we have noted some improvements in this regard, both in terms of reporting, monitoring, and engagement on the topic. We shall seek to explore how new technology, pipe replacement, and innovation will help to reduce gas leakage further.

EAP Reporting

The CEG reviewed NGN's Environmental impact report and voiced a similar concern to that expressed by the Company– that the reporting formula required by Ofgem was not appropriate for a report for stakeholders and that it should be made accessible to non-specialist readers. We recommended that the Ofgem specific content be moved into appendices whilst using a narrative approach at the front end. We shall review feedback from stakeholders to the new format for the EAP 2022/23 report.

We also touched on wider sustainability reporting and provided constructive challenge recognising a period of churn within the team.

Supply Chain (including Scope 3 emissions)

There was a high of degree of CEG challenge and input into the framing and focus of the Supply Chain Code of Conduct. This was introduced in April 23.

We drew from experience across multiple sectors to challenge and inform the evolution of the NGN document which was created following input from NGN's contractors. A clear line has been created between the Code of Conduct, data capture and reporting. Compliance by the larger contractors/suppliers is not expected to be an issue, but the CEG expressed concern on the implications for small scale/local suppliers to ensure that the ambition to improve environmental performance did not create an unintended social impact.

We shall look more closely at compliance and issues raised by the supply chain as we move into next year's work programme.

Wider Engagement

The CEG actively encouraged participation with third parties – such as the Yorkshire and Humber Climate Commission and other anchor institutions in the region. We also encouraged NGN to bring this agenda into the core narrative of the organisation – mainstreaming sustainability as a core commercial issue. We are pleased to report that NGN established a Sustainability Working Group with Board level participation. The CEG has been asked by the Company to give a particular focus to ESG (Environmental, Social and Governance) investment reporting in the coming year as it seeks to improve and develop.

Biogas

We maintained an ongoing focus on biogas, encouraged engagement with the producer community and UK policy which we are pleased to report has stepped up and NGN has demonstrated to us that they are providing support where possible for new connections, whilst the economic incentives for producers have been more limited this year.

Biodiversity and afforestation

NGN was encouraged by the CEG to explore customer sentiment and we challenged the framing of the decarbonisation, biodiversity and public amenity agendas in the context of potentially more innovative uses of the Company's above ground assets.

The tree-planting programme continues to be rolled out and has leveraged additional funding this year. Whilst the CEG had expressed concern last year over the care of the new plants, NGN confirmed that they have a professional tree management contractor to oversee maintenance.

CEG Focus for 2023-24

In the coming year we propose to:

- Consider the broader approach NGN is taking to investment decisions based on (Environmental, Social and Governance) ESG reporting, and review stakeholder feedback on how the new EAP reporting format.
- Undertake deep dives into the impacts that waste management and biodiversity initiatives are having on the business and local communities.
- Take a fundamental look at leakage to understand whether there are new approaches NGN can be taking to reduce the amount of methane released from its network.
- Review compliance with NGN's Code of Practice by its supply chain and any additional support required.



MEETING THE NEEDS OF CUSTOMERS, PARTICULARLY THOSE IN VULNERABLE SITUATIONS

Part of our role as a CEG is to influence behaviour, attitudes and understanding of stakeholder engagement to prompt change in the business that better meet the needs of customers. Since we were established, we have seen great progress in how NGN's engagement with customers has shaped its services, and over the last twelve months we have been encouraging involvement with other strategic partners and sectors across the whole of the Company's geographical network, particularly to help customers with the greatest need. The Company readily acknowledges that it still has more to do however, and is active on this front, but we are very encouraged by the progress that has been made. (We reported above on the collaborations that are underway with Northern Powergrid following Storm Arwen).

Throughout the year we have influenced **engagement** through our involvement with NGN's stakeholder groups including the Customers in Vulnerable Situations (CIVS) Stakeholder Group, the Young Innovators Council (YIC) and the Citizen's Panel.

We have influenced **spend** in terms of policy development with the aim of maximising the allowances in the Business Plan and have encouraged sustainable spending considering the need for and relevance of short, medium and long-term outcomes.

The CEG has also influenced **better relationships** across utilities (energy and water in particular) to help support the most vulnerable– for example through a more joined up approach to managing the Priority Services Register (PSR). This has helped NGN maximise the impact of initiatives and ensure inclusivity on a wider scale.

In monitoring performance delivery, we have posed the following questions - how is NGN delivering its commitments? what is NGN doing to support its customers during challenging times? and what more could/should it do?

The CEG's subgroup on social issues met nine times over the year to carry out deep dives into issues relating to the increasing needs of customers. We focussed particularly on NGN's response to the Cost of Living Crisis and Ofgem's proposed changes to the Fuel Poor Network Extension Scheme (FPNES) which will increase the amount of allowed revenue NGN has to spend under its Vulnerability and Carbon Monoxide Allowance (VCMA).

COST OF LIVING CRISIS

Building Capacity

NGN has been mindful about spending money where it matters, in line with key customer priorities. Rather than allocating internal costs to projects or building its own capacity, all revenue was being allocated to external delivery costs of programmes designed to help customers in need. Whilst the CEG welcomed this approach in year one, we believed that the increasing impact of the Cost of Living Crisis on customers required a different strategy. This was made even more important as VCMA revenue was likely to increase substantially and this would require more internal resource to design projects, oversee delivery, and assure impacts. We therefore encouraged NGN to capture internal costs and reflect them in VCMA spending to resource the internal team adequately.

The CEG challenged NGN to maximise the impact of its projects to help those in most need and ensure inclusivity on a wider scale which would, in turn, influence the breadth and depth of projects aimed at reducing the burden on an increasing number of customers in vulnerable situations. We prompted NGN to think more widely about how it can target the right/more customers, to consider who else needs to be involved in achieving this, the sustainability of projects to the end of GD2 and beyond and how it can be more efficient and effective to get the most from the VCMA funds. We encouraged NGN to look at how funds could be combined, for example with NPG's Community Partnering Fund, to ensure those in most need get the enhanced support essential to them.

We also felt it was important for NGN to recognise and assist with the impact on front line delivery partners and their staff. The CEG prompted and encouraged NGN to find solutions to help those delivering a greater number of projects on its behalf as well as helping to address the impact of higher numbers of customers seeking help from partner organisations. This included NGN providing non-financial support, for example, sharing learning and resources, understanding the big issues facing partners and providing support and guidance to address these, not simply providing additional funds to partners who are struggling to deliver projects, but instead finding alternative ways to support those seeking help.

NGN identified a range of ways to achieve this including hosting an Open Day which brought together organisations who could support each other, who could provide shared learning and resources, and bespoke assistance to partner organisations. It also opened up links to groups of customers, through intermediaries that were not immediately obvious through the existing projects, but which gave greater access to seldom heard customer groups. An example of this is cross training of Asthma nurses creating clear links to the Priority

Services Register for customers who might have otherwise been overlooked. The Open Day will be repeated later this year with a view to making it an annual event.

The CEG also helped NGN test its thinking around new and existing projects. Of course, we focussed on NGN spending sustainably, but we were also interested to understand the customer view of short/medium/long-term projects and their ability to be sustainable while meeting immediate needs and challenges (see more below). This helped shape discussions with the Citizen's Panel and YIC which, in turn, shaped strategy. NGN's current focus is now on a greater number of short-term projects that meet the immediate needs of customers created by the Cost of Living Crisis while supporting longer term projects to sustain improvements achieved.

WORKING WITH PARTNERS TO DEVELOP IMPROVED OUTCOMES

Customers In Vulnerable Situations Workshops (CIVS)

NGN holds regular workshops for a range of partners and stakeholders to help develop improved outcomes for the most vulnerable customers and the CEG has helped to shape the annual programme of these events. Part of each deep dive by the Social Sub Group has included a review of NGN's preparation for the next CIVS workshop in order to ensure it is designed to achieve the best outcomes.

Examples of the subgroup inputs include:

- Encouraged NGN to review and change hot topic subjects at each CIVS to create a stronger focus on the Cost of Living Crisis as this became an acute issue for customers and partners alike.
- Encouraged NGN to reconsider the way in which it shared information and sought feedback on particular issues – in one example NGN planned to ask stakeholders/partners whether they would prefer NGN to invest money locally or collaboratively (nationally) to benefit more customers. We felt that in this type of arena, stakeholders were likely to instinctively opt for a local option, without being invited to think about what the need was. We proposed a 'higher' level set of questions - crudely speaking "do we spend more/less money now to try to address acute/immediate issues or do we spend it more sustainably and focus on longer term projects?" We felt that answers to these questions would allow the company to make more informed decisions. This ultimately influenced not only the engagement with the CIVS but also engagement with the Citizen's Panel and YIC. The result has been to design projects to address immediate financial need whilst developing a way of capturing more sustainable ways of working.
- Prompted and encouraged NGN to change the format of certain workshops to maximise stakeholder feedback, get

the best out of breakout sessions, create a feeling of being in a room even during virtual meetings, and create space for networking opportunities lost due to virtual attendance.

- Asking CIVS workshop members whether they felt that the right people are attending for the right topics to ensure those customers who would benefit most were fully and properly represented.

Changes to the Fuel Poor Network Extension Scheme (FPNES)

Whilst the announcement of the likelihood of significantly increased funding due to changes to the FPNES brings potential wider customer benefit and increased support for those customers in vulnerable situations, it also brings operational implications. The challenge from the CEG was to refocus funds from the FPNES whilst addressing capacity issues of both NGN and delivery partners. This encouraged broader thinking around how the funds could be spent. The CEG asked NGN to consider the following questions to help ensure a strategic approach where funding would be well targeted and delivered:

- Should funds be spent across a range of projects or one/few larger projects?
- Should funds be managed by NGN or an external party/ies?
- How will NGN ensure internal capacity to provide robust oversight and that charities and other partners have capacity to manage higher levels of funding/activity?
- How can NGN support its partners in delivery other than, or in addition to, simply providing cash?
- How does this funding fit with existing activities e.g., helping those most in need, particularly as a result of the Cost of Living Crisis?
- How can NGN reach areas/customers it has so far been unable to support?
- How can NGN identify the new group of customers who are struggling for the first time to pay bills/engage with the system?
- Does NGN need a different approach? If so for how long?

At the time of writing further guidance on FPNES policy is still awaited from Ofgem, but it has been agreed that unallocated funds can be transferred to VCMA activities. In the intervening period the CEG influenced NGN to consider new Use it or Lose It (UIOLI) projects utilising existing funding from the VCMA particularly to support customers experiencing financial hardship.

The CEG encouraged NGN to push forward a pipeline of innovation projects to support customers in vulnerable situations as the numbers receiving support at the start of the year were below what we would have expected. NGN recognised some of the issues raised and in recent months have commenced three significant innovation projects to tackle:

- Digital Exclusion
- Support to off-grid communities
- Support to customers during power cuts

CEG focus for 2023-24

In the coming year we shall:

- Continue to monitor delivery of the existing programmes to support customers in vulnerable situations and to ensure NGN's engagement on this topic remains focussed on finding practical and impactful initiatives based on learnings from across the industry.
- As affordability of energy will remain a serious social issue (Government support is being withdrawn for the majority of households and energy prices are set to remain higher than before the start of the energy crisis) we shall consider where NGN can develop new initiatives and support to customers in financial hardship.
- We will encourage more cross-utility collaboration and monitor the impact this is having.
- Start to scrutinise NGN's approach to vulnerability as it develops plans for the next price control period.



HEALTH AND SAFETY

Ensuring the health and safety of the public, its employees and assets are clearly key priorities for the Company and of importance to its stakeholders and customers and the CEG decided to increase its scrutiny of these matters this year. We were prompted to do so by the reporting of major incidents, and we challenged whether sufficient resources are being dedicated to avoidance and to processes that address impacts.

The CEG requested a dedicated Health & Safety session with the Company this year focussed on

- Digital Technology
- Ensuring Competence
- Customer Engagement
- Gasholder Decommissioning

This was held in October 2022 when NGN's Environment, Health & Safety Manager, Andrew Grant addressed the issues we had identified.

Whilst this was the main CEG Health & Safety session of the year, at each CEG meeting NGN Chief Executive, Mark Horsley, cover any pertinent health and safety issues that have arisen since the previous meeting.

Major Incident

Also at the October meeting, we were updated on a Leeds court decision to fine NGN £5M for the Mirfield gas explosion incident which occurred in 2019 and which, tragically, killed one woman. The explosion was traced back to a fractured pipe. The way in which the company had responded to the incident in terms of tightening safety processes (see below) was explained but we were informed that NGN would be challenging the magnitude of the fine. Given the direct and fatal customer impact of the failure of NGN's infrastructure, the CEG was quick to point out that such challenge would need to be sensitive, factual and well-reasoned.

Digital Technologies

It is the CEG's view that NGN has made good strides to embrace digital technologies of relevance to improving health and safety within the company. There is a strong awareness in the company of the benefits of data capture and analysis, real-time monitoring, and the creation and population of performance metrics. These all add to the company's ability to identify and respond efficiently to any health and safety-related issues. Moreover, digital platforms are recognised as an effective means of engaging with customers around safety-related decision making. The CEG challenged on the use of Artificial Intelligence to predict safety-related issues. Whereas AI will never replace human intervention in gas safety, it should be seen as an enabler of

swifter decision-making. Whilst we had no ready answer to our challenge at this session, a later update from the Head of Data and Digital provided some reassurance that the use of AI is developing within the company and is initially being used to identify pipes for replacement. When challenged on the Smell Gas Helpline, we might have expected more insight into how digital technologies could be used to promote its existence.

Ensuring Competence

In setting the agenda for this session, the CEG challenged NGN to demonstrate how the Company was keeping pace with the changing health and safety landscape. In its response, NGN was able to demonstrate that a clear and strong competency framework was being adhered to which underpins the company's 'Safe Control of Operations (SCO)'. Safety instructions and bulletins are seen as an important part of this competency framework. A key area of challenge from CEG was 'tick-box avoidance', the response to which demonstrated that the company has developed a real-time, evidence-based system using live photos and safety checks to demonstrate that the necessary safety actions have been undertaken. Particularly impressive was the use of real-time feedback and coaching from the Control Centre, as well as cross-referencing case studies from which appropriate learnings can be drawn. These techniques should ensure openness and transparency of actions plus an experiential learning evidence base.

Whereas the hydrogen agenda is still nascent in terms of health and safety, the Company provided evidence that a coherent plan for hydrogen-related, competency development is in place and that this builds upon that described above. At this stage, no further CEG challenge was provided suffice to request an organisational chart covering the 'safety structure', and a copy of the H21 Safety Report.

Customer Engagement

NGN sets great store by its level of customer engagement on safety matters. We were informed that it sees every opportunity to interact with its customer base as a means by which safety-related messaging and education can be relayed. This covers all age groups, with its 'Solutions for the Planet' and 'CO Awareness' being popular with school children, and its community engagement around hydrogen trials in Redcar and Winlaton where safety was a big concern. One CEG challenge was around the use of trenchless technology and its customer benefits and whether front-line staff engage with customers on this basis, as it is them who must live with the alternative of large, open-cut trenches, with all of the associated safety management issues and costs that go with that.

Gas Holder Decommissioning

Given the health and safety risk associated with their operation, maintenance and now decommissioning, an update on the gas holder decommissioning programme was sought for completeness. The update demonstrated that the health and safety risk to both the public and the company had been reduced as a result of the work, with both aesthetic and land remediation benefits also arising. Moreover, significant customer benefits had arisen from the elimination of 'wet gas' that the holders pumped into the distribution networks. One area of challenge related to the increased impact on shrinkage (leakage) of using the network as a high-pressure storage vessel (line-packing), especially in light of the Mirfield incident. Assurances were provided that only parts of the pipeline network with the correct grade of materials and pressure rating would be considered. The CEG proposes to hold a deeper dive on this in the coming year.



Safety Incident

Despite NGN's strong framework for safety procedures, the CEG was alerted to a safety incident where an experienced employee had failed to follow correct procedures and had caused injury to himself and potentially others. We challenged how the company was addressing behaviour and whether additional training was needed. We were reassured that new training and awareness training is being rolled out to remind everyone about what can affect behaviour at work and how to be alert to the safety implications.

We also mounted a challenge on the use of the NGN Whistle Blowing Policy (WBP) should an employee witness or engage in working practices seen as unsafe. Assurances were provided that the WBP was available for use on an as-needed basis, albeit no statistics on historical invocation were provided.

CEG focus for 2023-24

- The previous year's, NGN-wide customer survey had placed health and safety at the top of the list of customer priorities. However, recent re-surveying in the proximity to the hydrogen trials has seen cost displace health and safety as the major customer concern. One CEG suggestion would be to re-run the surveys once the trials have played out a while, and once the energy cost challenge has potentially abated. In the case of the Redcar Hydrogen Village project, there remains the risk of no hydrogen trials taking place, or the customer proposition proposed by NGN not being approved and needing to change. A key CEG challenge would be how customer communications on safety issues need to be reinforced where significant, perceived change (such as the move to a new gas being conveyed) is underway, and how influential externalities such as fuel price cap rises (or falls) need to be considered.
- NGN should address the line-packing issue raised above as a corollary to the cessation of gasholder use.
- Of particular interest should be the impact on long-term network resilience of consistently operating certain sections of infrastructure at higher pressures and the impact on shrinkage. We propose that this is presented at a CEG meeting in Q4 2023.
- Linked with the above point, and with Mirfield in mind, it is also recommended that NGN presents to a CEG meeting during 2023 a 'condition grade map' of its pipeline assets where shrinkage potential is high due to the need to line-pack the pipes, along with proposals to address the condition of the worst assets.
- The role and modus operandi of the HSE should be considered by the CEG. It is recommended that HSE itself provides such input, not NGN. By doing so, CEG members will be spurred into thinking about additional health and safety angles by which NGN's customer performance can be engaged.
- An ongoing view needs to be maintained of NGN's position on the use of digital technologies to enhance customer understanding of, and reduce, health and safety risk. We propose an update on 'digital technology uptake' should be scheduled for Q4 2023.

6 Cross Cutting Themes

INNOVATION–2021-23

Overview

We recognise actions are underway to revise the Innovation strategy, but we are still looking for some reassurance that the delivery promised by the innovation team will translate into genuine impacts.

The NIA, NIC and the new Strategic Innovation Fund (SIF) programmes require dedicated resources to deliver and this needs to be reflected in the plans that are made for the Innovation business unit. We have witnessed new recruitment in the business unit early in 2023 but are yet to be convinced that the resources are sufficient to deliver NGN's ambitions and contracted programmes.

In February 2023 we held a detailed deep dive to scrutinise how NGN was developing its approach to innovation and we considered:

- Key RIIO-2 programmes including the Strategic Innovation Fund (SIF) -that replaced RIIO-1 innovation funding.
- Customer Energy Village.
- The review of Governance, Partnerships and future action.

We heard about some of the challenges in relation to SIF funding due to its complexity and reporting schedules. The Customer Energy Village has an initial set of 7 innovation projects in place with partners – which was a huge step forward. We were also pleased to learn about the proposed changes to the governance arrangements around innovation with structured internal processes and the potential involvement of more external partners.

The CEG raised new challenges around management processes to enable better project reporting and reduce management time and keeping stakeholders informed and involved – potentially via a working group bringing commercial, academic and other interested parties together to avoid duplication and improve collaboration.

This has been a challenging year for NGN with regard to innovation, but the future approach appears more promising in delivering a more effective and efficient innovation strategy.

The CEG received NGN's Innovation report for 2021-22 in August 2022, but it was early 2023 before we were able to hold a meeting to address our challenges on the governance and management of innovation programmes.

Specific key challenges we raised in relation to the 2021-22 Innovation Report included:

- Ofgem NIA and NIC programmes should be coupled with the opportunity to leverage these programmes with other grant support mechanisms. This 'leverage' has not been front-of-mind for NGN. As such, value to customers is potentially being lost.
- ENA Industry Working Groups are extensive, but we saw no reporting back from NGN on the outcomes for its customers (the ENA do however produce a report on anticipated outcomes of innovation across the networks)
- Operational buy-in and championing is key to success, but we did not see evidence of this across the Company.
- The Innovation Think Tank role seemed passive given its heralded arrival as a means of identifying and supporting new innovation projects.
- There was no forward look for the year ahead to help understand new priorities and ongoing work.
- A summary of any findings/ conclusions for the year plus any customer benefits is needed to share with, and be meaningful to, a wider set of stakeholders.

More positively in 2021-22 we did see a wide range of innovation themes across technical and social topics and a 6-step innovation process was well-presented and thought-through.

In terms of the innovation project base, we were generally more positive

- Network Innovation Allowance (NIA): NGN had developed a very balanced portfolio. We noted that of the 31 NIA carry over projects from RIIO-1 only 2 address customer vulnerability, but a greater focus was highlighted in 21-22 with 4 of the 12 new projects addressing vulnerability (the budget was still underspent, but the CEG saw some evidence of how this could get back on track)
- Network Innovation Competition (NIC): there was a stronger

focus on customer outcomes that had to be built in in order to secure funding.

- Customer Energy Village – this is a major development at NGN's research site at Low Thornley, Gateshead where archetypal buildings from late 19th Century to modern constructions are being built to help identify retrofit solutions to make them low or zero carbon emitters. The CEG requested an update on progress and visited in June as construction neared completion once construction is completed. We shall scrutinise what existing and new collaborations are delivering for customers.
- The emergence of data and smart assets as a thematic area was welcomed by the CEG. For example - the application of digital tech to advance the Company and add customer value e.g. mapping customer vulnerability and digitising safe control of operations maps directly to the safety preference of customers. But it was unclear how it was being directly applied. (The CEG also reviewed the Egnida tool in December 2022 to understand how it can be used to identify customers in vulnerable situations.)
- The CEG welcomed the practical innovation in projects to raise carbon monoxide awareness - very important to vulnerable customers in particular - which has been informed by the CIVS stakeholder group.

- The focus on the suitability of old infrastructure over the need for new assets seemed the right approach to the CEG for hydrogen innovation.
- Hydrogen innovation projects are well represented with a good spread of themes and strong partnerships. We proposed that all findings are collated to give customers in trials as full a picture as possible.
- We noted a good use of feasibility studies to gradually build confidence in the innovation programmes.

CEG focus for 2023-24

Innovation will continue to be an area of interest for the CEG and we shall specifically focus on:

- How and what customer impacts and outcomes are captured
- Reviewing the Innovation Report for 2022-23
- Developments at the Customer Energy Village
- Implementation of new Strategy and Governance arrangements



STAKEHOLDER ENGAGEMENT

The CEG remained actively focussed on the implementation of NGN's stakeholder engagement strategy and programme. We have attended a significant number of stakeholder and customer events to monitor how the company is engaging and to observe what they are being told – such that we can properly challenge the company on how it is responding to stakeholder and customer expressed needs and views.

The table below (Engagement programme for the year) shows where we have been present and have provided feedback to the company. In some instances, the CEG has informed the structure and topics for these events. In other sections you can read about how we have engaged specifically with the Citizen's Panel for the region and for Redcar Hydrogen Community trial, the Stakeholder Group of organisations supporting Customers In Vulnerable Situations (CIVS), and other groups.

In addition, we have been actively involved in the annual Customer Perceptions Survey from the design stage through to hearing the report back on findings to the Company's Leadership Team. The survey is one of the tools NGN uses to ensure it is meeting customers' needs and see whether perceptions match up to feedback from events and Customer Satisfaction surveys which helps identify issues of concern.

For example, findings this year compared to those reported a couple of years ago show that 55% of domestic customers and 43 % industrial/commercial customers reported difficulty

in paying their energy bills. This compared with 33% and just 19% respectively two years ago.

CEG challenges and NGN responses

The CEG has encouraged greater levels of engagement and collaboration with other utilities and organisations in the region, especially around communication with customers, and we have seen significant progress in some areas this year.

Lessons learned from Storm Arwen led to Northern Powergrid (NPG) and NGN holding a workshop to identify areas where they could collaborate more effectively, resulting in an agreement to provide aid more quickly and easily to vulnerable customers during major incidents. Thankfully there have been fewer and lower grade storms this year but early testing shows this will result in benefits to customers of both companies. There remains an ongoing challenge to develop more collaborative programmes with the potential to work more closely on innovation at the new Customer Energy Village research site in Gateshead.

One of the industry wide lessons was the need to ensure clarity of roles between the partners in Local Resilience Forums (LRFs). We requested a session in March 2023 on how NGN is engaging with the 8 LRFs that cover its region and received a positive account of the work that has taken place to ensure clarity of roles and good working relationships. This is also particularly heartening given the challenge by LRF local authority members at a stakeholder event in York, during the business planning stage for GD2, for better engagement.

Key Engagement Events 22/23

April 22	May 22	June 22	July 22	August 22	Sept 22
<p>6th April HyDeploy customer research webinar (LB/BM)</p> <p>27th - YIC- Sustainability Strategy (BM) - Online</p>	<p>25th NPG/NGN Incidents Working better together workshop (CP) – Thorpe Park</p> <p>27th CIVS Open Day (CP/ML) – Thorpe Park</p> <p>Hydrogen pilot community engagement (BM) – Drop in sessions in Redcar</p>	<p>29th CIVS Physical disability webinar (CP) - Online</p>	<p>13th YIC – Annual Planning and Performance (JS) - Online</p> <p>13th LRGG (JS) – Thorpe Park</p> <p>20th VCMA annual showcase (CP) - Online</p>	<p>Redcar community engagement (BM) - Redcar</p>	<p>8th Stakeholder Conference (All) - Online</p> <p>13th CIVS winter readiness and CO Workshop (ML/BM) - Online</p>
Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Key
<p>8th Citizens Panel LEAP (CP/BM) - Online</p> <p>12th YIC - NGN's support for vulnerable customers (AL) - Online</p>	<p>2nd YNYLEP LEAP launch (DW)</p> <p>22nd CIVS PSR Workshop (CP) - Online</p> <p>Critical friends AER group - (SP/EP) - Online</p> <p>H21 report briefing (BM) - Online</p>	<p>Consumer Perceptions Research (JS)</p> <p>7th LAN & LCC state of the city affordability conf (CP) – Online</p>	<p>21st Citizens Panel – Customer Outputs (CP) - Online</p> <p>24th East Coast Hydrogen phase 2 launch webinar (BM) - Online</p>	<p>15th YIC - Recruitment (AL) - Online</p> <p>7th CIVS Financial Hardship Workshop (CP/ML) - Online</p> <p>13 Feb –RHC BEIS & Citizen's Panel (JS) - Redcar</p> <p>13 Feb –RHC customer drop- in (BM) - Redcar</p>	<p>BM – Brian Matthews DW – Dave Wright CP – Carole Pitkeathley SP – Simon Pringle AL – Alan Lowdon EP – Eddie Proffitt ML – Melanie Laws JS – Jenny Saunders</p>

■ WS1 – Future Network ■ WS2 – Environment ■ WS3 – Social/customer ■ Multiple Workstreams

Table: Engagement Programme 22/23

NGN and NPg have produced a helpful code of working to help avoid duplication and confusion on the roles each company can play in helping to produce Local Area Energy Plans. Whilst only one LAEP was produced in the region this year, it may potentially act as a blue print for other LAEPs. These plans will help inform the companies on investment requirements in the future to achieve net zero and secure supplies of energy, and this collaboration should improve regional whole systems thinking (in line with Ofgem's proposed new approach for the next price control period) to the benefit of residents and commercial users. Work in this area will need to step up in the coming year to inform future energy system design.

Another welcome initiative towards the end of this year has been the collaboration between the water companies and energy network companies in the region to identify and share customers meeting eligibility criteria for the Priority Service Register. We shall follow this development in the coming year to see how it is working in practice.

NGN's annual Stakeholder Conference was held on line in September 2022 and was designed with input from the CEG, whose members participated in the event to share findings from our last year's work and to hear about stakeholders' new priorities. Whilst there were no new insights recorded, the event allowed stakeholders to challenge both the company and CEG on issues important to them.

More effective was the open day NGN held for stakeholders at its headquarters in Leeds where a cross section of delivery partners, stakeholder groups had the opportunity to discuss potential areas of collaboration and further engagement with a wide range of NGN business leads, including the CEO Mark Horsley. The CEG would encourage this activity on an annual basis, potentially at other company sites around the region.

CEG Focus for 2023-24

The CEG proposes to focus on the following areas:

- Scrutinising processes that ensure feedback from engagement exercises influence decision making within NGN business units.
- NGN's stakeholder engagement strategy for the next price control period.
- Engagement strategies for the implementation of the hydrogen trial in Redcar and for the planning stages of a town-size hydrogen trial proposal.
- Analysis of customer perceptions survey results and how they are acted on.

7 CEG Effectiveness

I wish to thank all of the members of the CEG for the insights and expertise they offer.

As a group we review our effectiveness on an annual basis to ensure we deliver on behalf of stakeholders and customers, and to fulfil our commitments to NGN and Ofgem.

We would not be effective without the support we receive from the company – and individuals we engage with in different parts of the business. We are grateful for the day-to-day secretariat support we have received from Jenny Wilkinson, Bina Dixon and Hollie Scott. We rely on open and robust dialogue with the Business Leads, and the provision of detailed information.

We set ourselves 4 key effectiveness criteria when the group was first established in September 2018 and we continue to use these:

- The design and delivery of policies and programmes clearly reflect the challenges made by the CEG.
- As a result of CEG involvement stakeholder views have influenced, and have been properly considered in the design and delivery of work programmes.
- NGN's engagement with stakeholders has been influenced because of CEG scrutiny and challenge.
- The CEG has influenced NGN to perform in ways that have led to improved customer outcomes.

We reviewed our performance against these criteria at the end of this year and have produced a separate report for NGN and Ofgem. Examples from that report have been used in this report to provide a flavour of the difference we have made over the past year.

A copy of our Effectiveness Report can be found on our website at <https://ngnceg.co.uk/wp-content/uploads/2023/06/NGN-CEG-Effectiveness-review-2022-23-Final-1.docx>

8 CEG Forward Work Programme

2023-2024 focus

We anticipate that there will be two parallel, but linked, streams to our work in 2023-24. We shall continue to monitor NGN performance and engagement as part of its year 3 GD2 business plan delivery. Whilst the next regulatory period was not due to start until April 2026, advance business planning is already being considered by NGN. Ofgem is consulting on revised timelines for the gas distribution companies, and a new regulatory framework including how companies should engage their stakeholders and customers in influencing the business plans. We anticipate having greater clarity on the way forward around the time this report is to be published but with a more detailed methodology document early in 2024 which should direct the outputs from our group.

Work Programme (GD2)

We shall continue to focus on the three main areas of NGN's GD2 business plan as well as the cross cutting themes of safety, innovation and stakeholder engagement. The decision by DESNZ on NGN's proposed Redcar Hydrogen Community trial will significantly flavour the nature of our work. That trial will have short and potentially long-term implications not only for those customers directly in the trial area, but all customers currently reliant on natural gas for home heating. Evidence from this trial will be used to inform the Government's decision about the future of gas in the UK so it is vital that there is effective engagement, and that we closely monitor and understand the views and experiences of residents whose heating fuel is shifted to hydrogen or an alternative system.

It is also vital that we continue to hear from people who have been most affected by the cost of living and energy crisis, and that NGN continue to develop meaningful responses as part of their VCMA programmes.

We indicated in sections above some of the themes we plan to scrutinise and focus on in 2023/24 but of course we shall continue to respond to matters as they arise and as flagged by customers and stakeholders.

Work Programme (GD3 planning)

At the time of writing this report there was no decision from Ofgem on how they plan to change the regulatory framework although they have proposed to extend the existing price control period for a further 2 years for GDNs.

With policy uncertainty about the future of natural gas for heating it is likely that NGN will need to consider a number of scenarios and the starting point for our work will be ensuring that the company is devising an effective engagement strategy that will allow the views of all key stakeholder segments and customer groups to be heard, whatever Ofgem's decision might be.

Our response to Ofgem's consultation on the future framework for network regulation is available on our website at <https://ngnceg.co.uk/wp-content/uploads/2023/05/NGN-CEG-REsponse-to-FNRF-May-2023.docx>

9 CEG members

During the course of this year there were some changes to the make-up of the CEG and a further refresh is planned to replace members who are leaving at the end of June 2023 and to bring in the skills and knowledge the group needs for the next business planning phase. To improve diversity of our group, we made two new appointments at the start of 2023. Yvana Ferrera and Charlotte Allan had been members of an NGN stakeholder group, the Young Innovators Council, for 14-18 year olds. They are helping us to challenge NGN from a future customers' perspective, and bring knowledge they are acquiring from their university disciplines which include environmental science. NGN supported this process recognising the value of the new perspectives. We hope to advertise and make new appointments in the coming months.

Members

Alan Lowdon - [Bio](#)
Brian Matthews - [Bio](#)
Carole Pitkeathley - [Bio](#)
Charlotte Allan - [Bio](#)
Dave Wright - [Bio](#)
Eddie Proffitt - [Bio](#)
Jenny Saunders - Chair - [Bio](#)
Melanie Laws - [Bio](#)
Simon Pringle - [Bio](#)
Yvana Ferreira - [Bio](#)





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