**NGN CEG Effectiveness Report 2022-23**

May 2023

**Aim of the annual review of NGN CEG’s effectiveness.**

This report covers the period 2022-2023 (year 2 of the RIIO-2 price control period 2021-2026).

The CEG has retained 4 key criteria by which it assesses the difference it is making. We have agreed that on an annual basis we will assess ourselves against those criteria and provide evidence of where we feel we have been most effective.

Some of this report may be used in the production of our annual report to stakeholders, but this report is for NGN and the CEG, and is being made available to Ofgem to inform future network regulation.

Our goal remains closely aligned with NGN’s and Ofgem’s in ensuring that stakeholders and customers are able to influence how the company develops and delivers its business activities to meet their needs.

The CEG can only be effective if it has a constructive working relationship with NGN, and we thank all of the people within the company that have engaged with us this year, and for the opportunity we have had to influence how they think about, and act on, their commitments to customers.

The influence we have exerted has depended on open dialogue and discussion as well as scrutiny and challenge. We acknowledge the willingness to listen to and act on the views of a wide range of stakeholders and customer groups, and not just the CEG.

Members of the CEG were encouraged by positive comments from Mark Horsley, who, at our meeting in March 2023, told us that his senior team regularly reference the input we have made and how it has influenced decisions. We invited the business leads who have engaged with us to review our assessment and to confirm or challenge any of the claims we are making: in particular to identify any areas of influence or challenge that we have not reported, but which have been helpful and have led to changes in strategies and/or delivery.

There was no disagreement on the claims we are making apart from some feedback stating that we had underestimated the influence and impact reported on our Energy Futures and hydrogen work. It was felt that our contribution to scrutinising the stakeholder engagement strategy for the Redcar hydrogen trial and challenges in relation to the customer proposition had led to improvements in the way in which they engaged and the potential outcomes for residents impacted by the trial for a 100% hydrogen network.

It is often difficult to demonstrate impact – as this may come sometime after any outputs have been delivered. Some ideas have a slow burn and might only come to full fruition later in the price control period, but where we have been able to witness and evidence the impact that we have made, we have sought to highlight it in the tables below. It is hoped that the results of this exercise will help shape the way we work in the coming year, recognising our remit to monitor performance during GD2 as well as planning for the next price control period.

Much of the challenge we have offered has been during deep-dive and subgroup sessions. We reduced the number of subgroups this year from 4 to 3 focussing on the main business plan themes of Meeting Customer Needs; Future Energy; and Environment, retaining cross cutting themes of innovation, stakeholder engagement, safety and operational issues for discussion at the bimonthly full CEG meetings.

Each subgroup has developed ways of working that reflect the topic and issues.

For example, the Meeting Customers’ Needs group asks the “so what?” questions. NGN plans to do x, y or z – sounds great, but so what? What do customers, particularly those most in need get from that activity? If it is nothing or not much, then why are you doing it? What else/more could you do to ensure that the enhanced needs are customers are met?

The CEG has continued to scrutinise NGN across the main business plan areas by asking fundamental questions:

* Is NGN doing everything it said it would do in Business Plan, and is it doing it well?
* What are the benefits of some of the additional things it is doing – e.g. rejected outputs continuing and becoming BAU?
* Should NGN try to do more and go beyond its commitments, and if so, what is the value to customers?

The CEG has influenced **engagement** through involvement in key stakeholder groups including CIVS (Customers in Vulnerable Situations) Young Innovators Council and the Citizen’s Panels (for both the region and Redcar Hydrogen Community).

We have influenced **spend** - how to maximise the agreed spend and benefits at the allowed amount in the Business Plan and also when a more significant amount came into play through proposed changes to FPNES and voluntary shareholder funds to support customers in need due to the Cost of Living crisis. NGN did a lot of work testing how it should respond prompted and encouraged to do so by the CEG.

The CEG has also influenced the development of **better relationships** - across energy and into water and better discussions for major incidents to support the most vulnerable in both the social/customer and operational areas. We have seen positive developments with biomethane producers, Local Resilience Forums and other stakeholder groups which we encouraged in our 2021-22 report.

As working practises began to change again after Covid 19 restrictions were lifted, the CEG began to meet in person more regularly and visit NGN sites for meetings and deep dive sessions, whilst a number of sessions continued on Teams which reduced travel time and were more efficient for short meetings.

**More specific examples are provided in the tables below and relate directly to the 4 effectiveness criteria. The examples highlighted are not exhaustive, but they do represent areas where we feel we can best demonstrate our effectiveness.**

**1 Priority Area - Design and delivery of policies and programmes clearly reflect the challenges/issues raised by the CEG**

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| Work Programme Area | Influence or Impact | Evidence source |
| Meeting Customers Needs and vulnerable customers | **Refocus funds from the FPNES scheme to deliver wider customer benefit whilst addressing capacity issues of delivery partners.**  The CEG encouraged broader thinking around how it could be spent posing the following questions:   * Should it be across a range of projects or one big project? * Should it be managed by NGN or an external party? * Does NGN have the internal capacity to manage this level of funding/activity? What does it need to do to ensure its staff/processes are sufficiently robust? * Do charity and other partners have the capacity to manage this level of funding/activity? * How can NGN support its partners in delivery other than just 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? * Does NGN need a different approach? If so for how long?   Previously NGN had been very mindful of spending money where it mattered rather than on its own capacity – whilst we welcomed this, and the sentiment behind it, we flagged up the point that, for the future, and particularly as funds were likely to substantially increase, the Company needed to ensure that the capacity was available in the delivery partners to maintain sustainability and ensure they are able to create and deliver the maximum impact for vulnerable customers.  **Development of new UIOLI projects (awaiting Ofgem decision on FPNES policy)**  The CEG encouraged NGN to consider new UIOLI projects while the Ofgem guidance was awaited including:   * How to better reach customers in vulnerable situations * Recognising a new population of fuel poor customers as a result of the cost-of-living crisis   **NGN has sufficient internal resources to design and manage enhanced social programmes – CEG influence resulted in additional resource to engage stakeholders in the design and delivery of programmes**   * CEG has been supportive of NGN’s approach to focus on spending sustainably i.e. look to support projects that can extend beyond GD2 and helped test thinking about sustainable funding versus meeting short-term need. * CEG encouraged NGN to understand more about what customers were thinking which in turn shaped programmes and projects to address immediate need and hardship. * This resulted in a change in policy influenced by the CEG, but more importantly by stakeholder feedback such as YIC/Citizen Panel * YIC and CP sessions were shaped by the CEG, particularly around how NGN asked questions to ensure the right outcomes. * CEG influenced NGN policy on how it allocates funds to delivery partners (little point in giving money to groups who are unable to spend it) NGN Open Day resulted in lots of engagement, shared learning and resources, NGN exploring other ways to support front line partners * we were supportive of year 1 approach – not chasing internal admin costs – but encouraged NGN this year to capture those costs and reflect them in the spend (as do other GDNs) to help resource its team to ensure that it can meet the needs of customers in a sustainable and robust way.   **Connections Portal developed in line with customer feedback.**  The portal was designed following a customer survey but there were delays to completion of the customer facing pages created by an external contractor. The CEG has not monitored developments closely in recent months but will seek to pick this up again in the coming year.  **Challenge to bring forward a pipeline of innovation projects to support vulnerable customers – not satisfied sufficient support in decision making process for social innovation ideas.**  The CEG challenged NGN to push forward a pipeline of innovation projects to support customers in vulnerable situations as the numbers receiving support were below what we would expect. NGN recognised some of the issues raised and in recent months have received support for three significant projects:   * Digital Exclusion * Supporting off-grid communities * Supporting customers during power cuts     The CEG influenced NGN thinking in terms of the minimum requirement, how it goes over and above its commitments. For example, detailed discussions about whether the rejected output - PSR Hotline would be pursued, and if so, how best can NGN manage this, what is the value to customers of having this versus doing something else? The context in which NGN took this to the Innovation Panel (for year 2 and beyond). | Presentations by EB to full CEG meetings and subgroups  Deep Dive Customer and Social Group  January 23  We expect to be updated on the outcome at the CEG meeting in June 2023  Subgroup reviewed customer survey and results  (June 22 presentation)  But the CEG will hone in on this again in the coming year as the portal is further developed  CEG meeting June 2022 and deep dive subgroups |
| Environment | **Continued focus on reducing shrinkage which has greatest environmental impact.**  The CEG learned that Ofgem requires different reporting on shrinkage which is no longer linked to environmental outputs, despite shrinkage accounting for 90% of NGN’s BCF.  The CEG encouraged a renewed focus on shrinkage in the context of the sustainability strategy with clear safety, environmental and social benefits.  **Ongoing focus and constructive challenge to biomethane connections and the relative impact of this technology to the customer priority of decarbonisation**  It is clear that whilst NGN is positively supporting biomethane producers wishing to connect to the network, ongoing uncertainly regarding future subsidies means that this will continue to represent a very small % total gas in the network, and the focus has shifted to green hydrogen.  **Increased accessibility of the Environmental Action Plan (and associated sustainability reporting) to enhance the structure and ensure that the core messaging (as evidenced by engagement feedback) is effectively communicated.**  Discussions also related to evidencing key claims and ‘showing working’.  Impact of CEG influence will be seen in the revised EAP report format for 2022-23 in June 23  **Increased level of ambition to decarbonise the operational fleet of vehicles, as influenced by the CEG in the BP has delivered both a carbon (global)**  **and air quality (local) impact.**  Whilst there have been some delays in delivery of new fleet, due to issues across the vehicle manufacturing industry, NGN is retaining its commitment to meet the business plan target by the end of the price control period.  **Increased collaborative working with other network utilities across a similar geography to deliver biodiversity targets.**  The CEG was able to make links with goals of other utilities in creating biodiversity corridors across the region.  **‘Anchor Institution’ framework enabling links between social and economic impacts to the environmental focus of EAP.**  CEG encouragement to think more about sustainability issues and not just environmental outputs.  **Strong focus on the materiality of Scope 3 impacts and the ability of NGN to drive change without necessarily impacting upon those supplier relationships that have been developed over time (and are often SME/local businesses). Code of Practice and other commitments being evolved.**  A topic which the environment subgroup helped to develop and reviewed the Code of Practise. | Dec 23 CEG minutes and subgroup meetings and visit to the Control Room at Doxford Park in March 23 where shrinkage is monitored  March 23 CEG meeting at Doxford Park  CEG meeting February 23 and subgroup deepdives  Deep dive session with NGN’s Fleet Manager in January 23 where the influence of the CEG in increasing NGN ambition was recognised  Data provided to the environment subgroup meeting in January 23  Environment subgroup meetings discussions and challenges to improve NGN’s sustainability strategy  Environment subgroup meeting November 22 |
| Energy Futures – hydrogen trials | **Bid for Redcar Hydrogen Village Trial focussed on customer experience and addressed concerns of the community in positive and transparent way.**  There has been significant CEG input to the design of the proposal and challenge to ensure stakeholders and customers have the best possible information on which to make decisions. CEG influence and engagement in the stakeholder engagement strategy are outlined in the letter of support to DESNZ.  **East Coast Hydrogen FEED study reflects wider regional aspirations/energy planning for the future.**  This was a key challenge when the proposal was shared with the CEG. This may be an area to pick up again in 23-24 as we have not had the time or resource to focus on it in recent months. | CEG visit to Redcar (Oct 22)  Several deep-dive sessions by separate subgroup  July CEG meeting challenge around regional leaders’ visions; industry needs and economic opportunities |
| Innovation | **New approach to Innovation within NGN**  **Enhanced resources/skills to design and bid for new funds (two external appointments Jan 23)**  **Draft new strategy for 2023.**  The CEG raised a challenge to secure external funding and develop new partnerships  There has been a fundamental review of innovation governance and management.  The CEG responded positively to achievements described in NGN’s Innovation report for 2021-22 (Year 1 ) but had raised concerns about capacity to deliver, optimising external funding opportunities, resourcing future bids and overarching governance given the high number of projects to be delivered; the complexity of SIF and other external funding; the focus on hydrogen and seeming lack of social innovation projects being approved.  The CEG reviewed the developing new strategy and future arrangements to ensure customer benefits are clearly described and included. | CEG review of the Innovation report for 2021-22 (Aug 22) and minutes of Feb 23 CEG meeting. |
| Safety and resilience | **\*Hydrogen trial lessons communicated effectively to residents in Redcar based on H21 and Leeds Beckett research**  Results of residents’ surveys show that safety is no longer a major concern for residents. The Citizens Panel in Redcar were also satisfied that safety matters had been properly addressed.  Senior members of NGN attended customer drop in sessions and Redcar Citizens Panel meetings to answer technical questions | Observed Redcar Citizens Panel discussion (Feb 23) |
| Stakeholder Engagement strategy | **Programme of events matches priority areas of business most impacting stakeholders.**  The CEG has received regular updates and has observed most of the engagement events held this year. High levels of satisfaction for the events and good attendance levels demonstrate topics covered are important to stakeholders.  Key challenge going forward is that NGN provide evidence of how they have used stakeholder and customer feedback in decision making and future planning. | Standing item at bi-monthly meetings and evidence at CEG meetings that decisions are being based on insights and feedback from SE events |
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2 Priority Area – As a result of CEG involvement (subgroups/deepdives etc) stakeholder views have influenced, and have been properly considered in, the design and delivery of work programmes

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| Work programmes/Projects | influence | Evidence source |
| Enhanced support for vulnerable customers and delivery partners in response to cost of living crisis | **NGN recognise the impacts on frontline delivery staff of increased workload with high numbers of people seeking help with heating bills**  The subgroup has challenged NGN to maximise the impact/ensure inclusivity on a wider scale – influencing the breadth and depth of projects, how can they have a bigger impact, how can they target more/right people. Who else needs to be involved – prompting NGN to think more widely and ensure what it does is more efficient/effective. For example, how can resources be pooled – e.g. with NPg to make the hardship fund go further, to ensure NGN’s spend is efficient and that those in most need get the enhanced support they need. | CIVS workshop feedback; CEG subgroup on customer service/vulnerable |
| Design of annual reports on Innovation, Environmental Action Plan and annual company performance report | **Reports in 2022 designed around Ofgem requirements but not suitable for wider stakeholders – redesigns being made for 2023 reports.**  NGN business leads and the CEG members have all agreed that the format for these stakeholder reports should shift from Ofgem to wider stakeholders as key audience. Aligned in view and input by the CEG in shaping design will be ongoing into next year. | Feedback to Neil W; Keith O and Jenny W at CEG full meetings |
| Young Innovators Council | **Inclusion of young persons’ views and perspectives in the design and implementation of work plans and stakeholder engagement**  The external facilitation and thoughtful design of the sessions has ensured good input from members. The credit for this cannot be taken by the CEG but we have fully endorsed the approach taken.  Two members of the YIC joined the CEG in January 23 and bring knowledge and learning from that group to the CEG. | Full, enthusiastic attendance at YIC events and a very healthy degree of challenge and tabling of views. Observed by a number of different CEG members over the year depending on the topic. |
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3 Priority Area – NGN’s engagement with stakeholders has been influenced because of CEG scrutiny and challenge

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| Strategy developments | Engagement channels and process changes | Analysis of results |
| Local authorities, delivery partners and other utility collaborations | **Improved collaboration with NPg and other partners**  A broader value of the CEG – particularly subgroup conversations - is to influence behaviours, attitudes and understanding and prompt change in the business. Key challenge and discussion point has been relationship with NPg – particularly following Storm Arwen – (CEG conscious of challenges around this relationship). CEG wanted a step change in the engagement – more effort has gone into this this year and from a customer and social perspective the relationship is strong. Sub group challenge to EB – how can she influence the engagement with NPg to broaden out those connections with NGN such that it is as strong across energy futures and innovation too. It is about supporting all customers. The team took learnings from the stronger relationship in the social and customer sphere to influence change across other areas of the business to collaborate better which resulted in improved outcomes across the piece. So as a direct result of the sub group encouraging NGN to work more closely with NPg, particularly around crises/major incidents, etc. has encouraged the wider business to engage better having learned what works and now there is a better collaboration overall.  Similar ask of NGN to broaden those partnerships across all utilities – seeing this in some of the joint initiatives such as PSR – seeing better, more joined up working on critical things that will help customers in vulnerable situations, whatever service they receive from any utility. CEG role here has been to influence NGN to maximise the impact of initiatives that are proposed, ensuring inclusivity on a wider scale.  NGN Open Day – deep dive to influence design of this new engagement avenue included providing access to groups that NGN might not otherwise engage with. Discussions around who should be in the room, what the different components might look like – who would exhibit, who would participate and how. How would the different components of NGN’s work be reflected e.g. Innovation, NIA, VCMA, internal NGN projects – how could having all of these things and all of the different groups in one room lead to more interesting and useful connections, etc. – resulted in a very successful day, and clear evidence of stronger engagement, broadening of reach, and involvement of groups previously not included. It also opened up links to groups of customers, through intermediaries that weren’t necessarily/immediately obvious through the existing projects and gave greater access to seldom heard customer groups. Example – cross training of Asthma nurses creating clear links to PSR for customers who might have been overlooked.  More work needs to be carried out in 2023 by the CEG on how NGN and NPg’s code of practice is working with local authorities in developing their Local Area Energy Plans. These will become increasingly important in preparing for the next price control period. Evidence of outputs from this year include the N Yorks LAEP which was developed by the Energy Systems Catapult with little reference to hydrogen and future of gas. | Avoid duplication of effort for stakeholders and more meaningful whole systems planning  Future work programme |
| Review of annual customer perceptions survey | **Questions reviewed by CEG resulting in new questions reflecting the current context for customers.**  The final survey questions were modified in light of comments from the CEG. | Jenny W report on the survey at CEG meeting in February 23  (Chair CEG observed presentation of the survey findings to NGN senior managers in March 23 and noted actions they will taking in response to ifindings) |
| Redcar trial bid documents reviewed to ensure customer engagement properly described.  Gas Goes Green report | **Range of engagement channels being used and customer hub in Redcar set up.**  The CEG was actively involved in reviewing the customer engagement strategy, observing events, influencing the final customer proposition so that it addressed the concerns expressed by customers.  **CEG encouraged NGN to compare with other analysis of costs to repurpose the gas networks and share more widely to inform future decision making**  The CEG will continue to monitor how any decisions regarding the future use of hydrogen will impact customer bills | Good public support for the trial at the time the final submission was made to DESNZ in March 23.  Letter of support from the CEG to accompany the submission endorsing the customer engagement process.  No firm policy decision expected for 2 years on use of hydrogen for home heating |
| CIVS workshops | **No major changes in approach but good practice embedded with a continuous improvement approach**  So much good stuff comes out of the CIVS.  The CEG influenced the development of the annual programme – particularly in terms of altering the subject of the hot topics to create a stronger focus on the cost of living crisis as it became an acute issue for customers and charity partners alike.  Part of each regular deep dive session is a review of NGN’s preparation for the next CIVS workshop. NGN tests its thinking with the subgroup and each CIVS workshop is influenced by these discussions. For example changes to the format to better reflect the topic under discussion; how to get the best out of the breakout sessions; how to create the feeling of being in the room at virtual sessions, etc. One specific example was for the planned discussion of the VCMA (pre FPNES additional funds) spend. NGN planned to discuss whether partners would prefer NGN to invest money locally or collaboratively (nationally) to benefit more customers – subgroup questioned the value of asking the question in that way - felt the natural answer from the CIVS would be to spend locally plus on collaborative projects much of the money comes back to the region anyway so little benefit would be achieved asking this question. Encouraged NGN to develop questions that would actually influence change of direction and to reframe this question to “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?”. This influenced not only the engagement with the CIVS but also engagement with the Citizen’s Panel and YIC. The results of this engagement focused work on helping the most vulnerable during the cost of living crisis and informed discussions once the additional funding as a result of changes to FPNES was announced.  Additionally, this influenced CEG thinking and encouraged a stronger focus from the wider CEG on the cost of living crisis at a time when innovation and environmental issues were high on the CEG agenda. – | Good stakeholder engagement and attendance and feedback |
| Stakeholder Conference | **Event designed to encourage discussion around issues raised by the CEG which reflected stakeholder views.**  The event involved most members of the CEG who contributed to the programme and feedback the findings of our work in 2021-22 as reported in our annual report for that year. | Planning sessions July and August 22 with Jenny W to shape CEG involvement and structure of the event  Good feedback from attendees |

4 Priority Area – The CEG has influenced NGN to perform in ways that have led to improvements to customer outcomes.

The CEG are mindful that some outcomes will not be evident immediately with some impacts only being realised in the longer term. Below are just a few examples but we hope it is clear from earlier sections that the CEG influence is leading to improved customer experiences.

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| Work programme area | CEG influence/challenge | Customer/stakeholder Impact |
| Redcar Village Trial | **Be open and honest about risks and impacts;**  (deep dive in Redcar into the engagement strategy Oct 22)  The CEG encouraged NGN to listen to the concerns of local people and fully address the many issues and fears they had – particularly regarding initial and enduring cost implications.  If NGN is successful in taking forward the trial the CEG will monitor the way in which the engagement strategy develops. | Citizens Panel feel well informed, engaged and able to make decision about whether to support the trial.  Local politicians and agencies informed and able to answer residents’ queries |
| Extra help to vulnerable households | **Encouraged more interaction between partners at CIVS workshops.**  The CEG encouraged NGN to consider the attendees at the CIVS workshops– are all of the right people attending? how can it maximise their input as well as informing them about NGN activities? how can it create space for the networking that is lost because of virtual meetings?  The CEG has also encouraged greater collaborations between other utilities across the region | More holistic services for customers in vulnerable situations have been developed through encouraging cross referrals by social delivery partners.  Local authorities and others are aware of role NGN is able to play during major incidents with improved responses welcomed by customers |
| Work planning perceptions | **Take into consideration the impact of, for example, open-cut trenching on the way in which customers view NGN and are impacted by its operations.** | Reflection on which techniques are employed so as to minimise urban disruption (e.g. trenchless technologies) and by doing so positively impact customer perceptions and experience. |
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