



ISG

Independent  
Stakeholder Group

**NGN ISG Report**

**2023/24**

June 2024

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# Contents

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Executive Summary	<b>1</b>
Chair's Introduction	<b>2</b>
Action on issues/challenges raised in our annual report for last year	<b>4</b>
CEG work programme for the year	<b>5</b>
Innovation, Data and Digitalisation and Stakeholder Engagement- enabling and cross cutting themes:	<b>6</b>
Customer Service and Vulnerability	<b>9</b>
Energy Futures and Sustainability	<b>11</b>
Resilience/Safety/Network Management	<b>12</b>
CEG/ISG focus for 24/25 and forward work plan	<b>14</b>

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# Executive Summary

A short report on the work of NGN's Customer Engagement Group (CEG) during the third year of the RIIO-2 regulatory period (2023-24) is available on our website.

Summarised below are our key observations and comments on how NGN has engaged with its customers and stakeholders to shape delivery of its programmes in 2023 and beyond, and how it is delivering on its commitments.

- There continues to be professional and collaborative engagement between our members and NGN business leads and we are confident that issues raised are addressed and evidence/analysis is provided where requested.
- NGN's engagement strategy is mature and effective and there is evidence that insights are used in decision-making processes.
- There are regulatory constraints to what NGN can provide to support customers in vulnerable situations and address affordability, but we are confident that NGN has listened to its key stakeholders and delivery partners to shape meaningful Vulnerability and Carbon Monoxide Allowance (VCMA) initiatives.
- The bread and butter work of network maintenance/repair/replacement accounting for around 90% NGN revenue and customer costs has been delivered to achieve targets, but more could be done to ensure frontline operatives are able to identify and refer on customers in vulnerable situations.
- Huge human and financial resources were dedicated to developing the Redcar hydrogen trial bid, which was ultimately cancelled. It is not clear how NGN will use lessons learned from this exercise but there are a number of valuable technological and stakeholder/customer insights that must not be lost.
- A new innovation strategy is needed which flows across the whole organisation and demonstrate how it will lead to better stakeholder outcomes.
- Stakeholders need more support in using data available from NGN.
- NGN should work with other GDNs to introduce a shrinkage measurement tool and reduce its reliance on modelling for methane escapes from pipes and operational activities.

## Challenges for 24/25 delivery and considerations for GD3

We shall continue to work constructively with NGN and Ofgem.

We also recognise that there is much to be gained from learning from peers and sharing insights.

There has been constructive dialogue with the Chairs of the other CEGs/ISGs this year and we shall continue to share ideas and our approach to scrutiny and challenge, respecting company confidentiality.

- **Ongoing monitoring GD2 performance:** As NGN move into more detailed business planning for RIIO-3 it is imperative that they do not take the foot off the brake in delivering promised outcomes for year 4 of RIIO-2.
- **Innovation: The National Energy Research Village (NERV)** New partnership projects should be explored including public funded programmes which lead to meaningful customer outcomes. Learnings from innovation should be shared with stakeholders as part of the new strategy.
- **Data and Digital:** The GD2 strategy needs to become embedded and a stakeholder engagement plan must be created as an updated strategy is developed for GD3.
- **Stakeholder Engagement:** Ensuring all customer voices are heard and considered is important for GD2 delivery but will become increasingly important for GD3 when it is envisaged that plans for pathways to net zero will need to be more clearly articulated and policies put in place.
- **Customer Service:** As network cost increases are expected for GD3 it is also important that customers who are financially vulnerable continue to be supported with meaningful services and NGN must engage fully with advocates for these customers.
- **Vulnerability:** Sustainability of social investments must be enhanced through equipping partners and communities to continue well-targeted projects that focus on unmet need when initial seed funding stops.
- **Environment:** Decarbonisation of NGN's fleet to be progressed as quickly as possible recognising the need to meet 1 and 2-hour emergency response times, and a strong focus on meeting or exceeding the shrinkage/leakage reduction targets.
- **Assessing other new supporting strategies and analysis underpinning the Business Plan for GD3 including:**
  - Future of NGN's gas network - analysis on possible pathways and timescales
  - Customer Value/Acceptability/Willingness to Pay testing
  - Equity, Diversity and Inclusion strategy and action plan.

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# 1 Chair's Introduction

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## 1.1 Remit/Governance

During this year the NGN Customer Engagement Group (CEG) underwent some changes in its membership and role, and even in its name going forward. We are currently refreshing our remit following draft guidance from Ofgem which has mandated Independent Stakeholder Groups (ISGs) for RIIO-3 under its Framework for Future Systems and Network Regulation (December 2023). Throughout this report however, We shall refer to our group using its original name. Our key objectives for the regulatory year 2023-24 have been to:

- Assess, challenge and monitor Northern Gas Networks' preparedness ahead of the next business plan and delivery of commitments during the RIIO-2 period.
- Ensure the needs of millions of customers, including the most vulnerable, are truly reflected in the services they receive.
- Contribute to both the local and national drive to innovate and decarbonise a vital element of the UK's energy mix.
- Promote the economic growth of a large swathe of the North of England, by steering the strategy of one of its largest employers and investors.

The CEG has continued to monitor how NGN is delivering its commitments to customers and stakeholders, and this report relates to the third year of the RIIO-2 price control period April 2023-March 2024.

This report sets out our assessment of how NGN has performed in ensuring stakeholder and customer views have shaped delivery, and is starting to shape the company's new business plan for the next price control period RIIO-3 (2026-2031).

## 1.2 Regulatory Context

Ofgem has consulted widely with stakeholders and companies on the future framework for network regulation. There was a fair degree of consistency in stakeholder views, with broad agreement to retain the RIIO framework but to simplify and reduce costs and time of regulatory reporting where possible without risk to consumer protection.

We engaged in Ofgem's consultation through working groups and responded to the Sector Specific Methodology

document in March 2024. Our main concerns were that:

- a focus on attracting investment should not result in unwarranted returns to shareholders;
- affordability remains an issue for many caught in the cost-of-living crisis;
- good practice should be embedded to focus on incentivising areas of poorer performance and cross utility collaboration;
- new Regional Energy Systems Planning organisations (RESOs) should have strong local governance and customer representation;
- ISGs should be mandated and not optional.

Ofgem published draft Business Plan Guidance, and whilst the final decision document is not expected until mid July, we have engaged with the company, the regulator and other ISG Chairs to better understand how we can best fulfil our role in ensuring customer views are heard and acted on, and to ensure the regulatory framework addresses issues of most importance to stakeholders.

## 1.3 Membership Refresh

The Chair of the group, supported by a CEG sub-committee, undertook a refresh of membership following a review of the skills and knowledge we deemed essential for the next stage of our work leading into the next price control period.

This exercise had started with the appointment of two youth members in January 2023 to give a stronger focus to future customers' needs and preferences. Four members of the ten original members recruited in 2018 have been retained, including the Chair, along with one member who joined the group at the start of 2021. They will serve for a further three-year period apart from the Chair who stands down in June 2025.

We acknowledged a skills deficit in the areas of Diversity, Equality and Inclusion; Data and Digitalisation; and Sustainability. Three new members joined the group during the year to enhance our capabilities in these areas and having completed their induction, will be taking the lead on these areas for RIIO-3. The new members also bring a wealth of experience in energy regulation and business. (Members biogs can be found on our webpages at <https://ngnceg.co.uk/isg-blog/> )

## 1.4 Key Outputs

Over the course of the year, we have held regular scrutiny sessions, both in person at NGN locations and online. Additional deep-dive sessions have been held on topics that most impact customers.

A new subgroup on data and digitalisation was set up during the final quarter of the year, in addition to the subgroups on environment, customer service and vulnerability and the Redcar hydrogen trial.

We have attended numerous engagement events to observe how effective NGN has been in delivering its engagement strategy and action plan, and to ensure feedback from stakeholders was properly considered in decision-making.

Following each of our main meetings we published a blog on our website to ensure we were transparent about the topics and activities we were working on. Our responses to Ofgem consultations, highlighted above, also appear on our website.

## 1.5 Key Points (see also key points at the end of sections 4-7)

- There continues to be professional and collaborative engagement between our members and NGN business leads and we are confident that issues raised are addressed and evidence/analysis is provided where requested.
- NGN's engagement strategy is mature and effective and there is evidence that insights are used in decision-making processes.
- There are regulatory constraints to what NGN can provide to support customers in vulnerable situations and address affordability, but we are confident that NGN has listened to its key stakeholders and delivery partners to shape meaningful VCMA initiatives.
- The bread and butter work of network maintenance/repair/replacement accounting for around 90% NGN revenue and customer costs has been delivered to achieve targets. However more could be done to ensure frontline operatives are able to identify and refer on customers in vulnerable situations.
- Huge human and financial resources were dedicated to developing the Redcar hydrogen trial bid, which was ultimately cancelled. It is not clear how NGN will use lessons learned from this exercise but there are a number of valuable technological and stakeholder/customer insights that must not be lost.
- A new innovation strategy is needed which flows across the whole organisation and demonstrates how it will lead to better stakeholder outcomes.
- Stakeholders need more support in using data available from NGN.
- NGN should work with other GDNs to introduce a shrinkage measurement tool and reduce its reliance on modelling for methane escapes from pipes and operational activities.

# 2. Action on issues/challenges raised in our annual report 22/23

## 2.1 Vulnerability and Affordability

### **Redirect Fuel Poor Network Extension Scheme (FPNES) and response to cost-of-living crisis.**

We have seen significant efforts to develop meaningful projects to utilise the additional VCMA funding (transferred from potential FPNES spend). A major collaborative initiative with NEA and health agencies was initiated but is still to roll out. Additional resources and a reorganisation within the Vulnerability team has enabled increased partnership development, design and delivery of programmes.

## 2.2 Redcar Hydrogen Community customer proposition

We endorsed NGN's approach to stakeholder and resident engagement as the bid for DESNZ funding to run the Government's hydrogen village scale trial developed. Whilst ultimately unsuccessful, for a number of reasons outside NGN's control, we witnessed a huge amount of effort to engage residents and to consult them on what the trial would have entailed – including a detailed proposition for residents to switch from natural gas to either hydrogen or electric heating. Our subgroup encouraged a meaningful exit strategy to communicate with residents on the government's decision not to proceed. We have also encouraged NGN to learn, and apply lessons learned, from this exercise.

## 2.3 Safety/Network Resilience/Shrinkage

Following a safety incident, we encouraged NGN to ensure that all employees and contractors were aware of their responsibilities and company procedures to ensure their own safety and that of colleagues and the public. We witnessed an increased focus on adherence to procedures, policy and safety behaviours applied across the business.

NGN was falling behind on its shrinkage targets and we are pleased that over this year the situation has been remedied. We challenged NGN to demonstrate it was addressing the highest risk pipes and we have been more actively engaged with the Operations team in 23/34 to understand the work being done to maintain and manage the network to reduce shrinkage and improve safety and resilience.

## 2.4 Engagement

### **Embedding stakeholder views in decision making processes.**

A new internal group was formed to review decision making and how customer views were fully considered in NGN management processes. We welcomed the triangulation exercise which highlights how stakeholder views were weighted and fed into delivery planning. This is also providing helpful insights that are shaping NGN's business plan for RII0-3.

## 2.5 Innovation, Data and Digitalisation

### **Demonstrate greater customer benefits/role of AI in network management and optimisation of NGN's National Energy Research Village (NERV) site in Gateshead.**

There continued to be changes to how innovation is resourced and governed within NGN. Some positive developments have taken place in recent months with a review underway of how the NERV site will be taken forward, but we have only just started to see the results of these changes towards the end of the year.



CEG on site visit to NERV in June 2023

# 3. CEG work programme for the year

The meetings in the table below were full sessions of the CEG. In addition we held numerous deep dive sessions, one-to-one meetings and subgroups to scrutinise in more depth specific topics throughout the year.

Meeting Date	Agenda Items	NGN Location	NGN Staff
5th June 2023	Regulatory reporting results	NERV	Bina Dixon, Dean Pearson
	NERV vision to operation		David Lynch, Fergal O'Donovan
	Hydrogen village and town proposal		Neil Travers
7th August 2023	Network resilience, Repex and Shrinkage	Washington Depot	John Richardson , Warren Iveson , James Knox Lee Murphy & Simon Maughan (MAU) ,Neil Whalley,
	Data Portal		Tom Pollock
2nd October 2023	Customer, Vulnerability Winter Preparedness FSNR/ Ofgem guidance	Leeds Head office	Kirsten wood Laura Ratcliffe Eileen Brown
4th December 2023	GD3 process, approach and timeline Workforce resilience Stakeholder strategy	Online	Heather Sheffield Lindsey Filer Jenny Wilkinson
8th January 2024	SSMC – NGN position EV progress Stakeholder insights - phase 1 triangulation	Online	Eileen Brown, Bina Dixon Neil Whalley, Sarah Cooper Jenny Wilkinson
5th Feb 2024	A safe and resilient network	Leeds Head office	Chris Hogg, Warren Iveson, John Richardson
	Data and digitisation Costs Governance		Tom Pollock Scott Wood, Dean Pearson
4th March 2024	Customer Service Standards Vulnerability	Online	Eileen Brown
	Strategic narrative		Sian Fletcher
8th April 2024	Innovation Sustainability, Environment and EAP Citizens Advice Whole systems thinking	Leed Head office	Paul Chapman Neil Whalley Sam Hughes Sajalu Greenall

In the following 4 sections which relate to NGN's main areas of delivery, we have highlighted where we have witnessed stakeholder and customer insights influencing NGN's business plan commitments.

The challenges we have identified relate to the ongoing delivery of NGN's commitments during GD2 starting year 4 April 2023. We recognise that NGN is still performing well and is on track to meet its commitments, but we would encourage NGN to consider prioritising a few areas we have highlighted.

We have also sought to draw out a few points for consideration as the company plans for GD3 but we are reporting separately on the draft GD3 business plan.



# 4 Innovation, Data and Digitalisation and Stakeholder Engagement-enabling and cross cutting themes:

## 4.1 Innovation Strategy Review/Refresh

Progress has been made to engage partners especially in vulnerable customer facing projects (CIVS), and 'Futures Close' as part of NGN's National Energy Research Village, (NERV) in Gateshead.

Much of the focus on innovation this year has related to hydrogen and the development of the Redcar Hydrogen Community trial.

Due to internal challenges, the core innovation team and its strategy are, at the time of writing, being refreshed, however, good engagement with partners has continued through the year, with many benefiting from NGN's support and advice.

Creating a culture of innovation in NGN is a key objective of the new team and we expect to see clearer customer value and outcomes, and more focus on net zero projects. We have encouraged the team to use the same governance processes across all areas of innovation to improve engagement across the company and project outcomes.

Given its status as a frontier GDN, we would expect the company to adopt a more strategic approach to its intellectual property, through the introduction of an intellectual asset management competence framework within its innovation team. This would be an internal resource to service the entire company in terms of both soft and hard intellectual assets.

## 4.2 National Energy Research Village (NERV)

NGN completed the development of 'Futures Close' a research and innovation centre on NGN's National Energy Research Village site in Gateshead. This has taken longer than initially planned due to a number of factors but Futures Close is now made up of housing that represents most types of dwellings in the UK. This will allow different types of decarbonisation and efficiency improvement technologies to be tested and monitored by the company and its partners in the voluntary, utility, business and academic sectors.

This project is closely supported by the Energy Innovation Centre (EIC). The CEG considers that if its potential is maximised, it could be a great asset to help fulfil the UK's net zero aspirations by addressing our 'hard to decarbonise' domestic buildings.

Our group will continue to assess the value to customers of this project as products are tested over the next 12 months and monitor how NGN is developing partnerships at the site and demonstrating potential customer benefits.





### 4.3 Stakeholder Engagement

NGN has made good use of external consultancies to help deliver its engagement strategy.

The number of events centrally coordinated has not been overly demanding on stakeholders (recognising the potential for stakeholder fatigue). We were satisfied that the triangulation exercise has given visibility to how combined insights have been used in decision-making to shape delivery. Stakeholder views were collated from surveys, workshops, customer panels and other sources since the start of GD2, and from across different customer and stakeholder segments, and their views and comments were weighted and trade-offs made to identify key priorities and preferences for GD3.

However, there remain some groups whose voices have not been heard and we have encouraged NGN to do further engagement with those customers that do not present themselves through the usual channels and require different engagement techniques and approaches (this was underway at the time of drafting this report).

### Key Engagement Events 23/24



## 4.4 Data and Digitalisation (D&D)

NGN presented on D&D to the CEG twice this year. In the latter meeting it stated that it would be publishing a strategy in this area by the end of March 2024, focussing on the remainder of GD2 and going into GD3. We formed a new Data and Digitalisation sub-group in Feb 2024, with its first deep dive with NGN taking place in early March to understand NGN's journey to date in this area, and their approach to their strategy and next steps.

Whilst we welcomed sight of the 'work in progress' strategy document for 2024-26, we also recognised that the opportunity to influence the March strategy was limited but opportunities to engage and influence future iterations of the strategy will be increased now there is a dedicated subgroup.

We have recommended that a future version might be improved by:

- making the strategy engaging for the audience it is targeting (as drafted it is very much a regulatory response document). It would benefit from senior management endorsement publicly, with a clear link to how it would help NGN deliver its vision.
- including a vision statement, what outcomes are expected for consumers and how/when its success will be measured with clear links to an action plan with accountability.
- ensuring stakeholders are able to use the data open to them in meaningful ways to meet their needs.

The sub-group also provided some further comments on the kind of information (from a transparency point of view) and activity that it would be helpful to see in support of the strategy.

These include a SWOT analysis and potential risks and challenges associated with digital transformation, evaluation of existing systems, processes, and technologies in light of Ofgem guidelines, identification of priority areas for digital investment and improvement and a roadmap for technology implementation, including phases and timelines.

Ofgem require that for GD3 all GDN's should undertake stakeholder engagement in developing their strategies and we shall be monitoring the engagement strategy to ensure stakeholders are able to influence how NGN will shape and deliver its strategy from 2026.

## 4.5 Challenges for 24/25 Delivery and Considerations for GD3

### Innovation

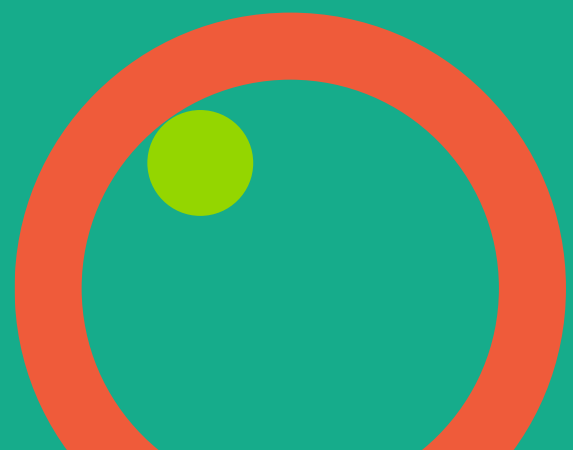
- A new strategic approach is required which properly encourages and supports innovation across the company.
- The National Energy Research Village (NERV) needs to develop new partnership projects leading to meaningful customer outcomes in order to maximise its potential.
- Learnings from innovation to be shared with stakeholders as part of the new strategy.
- Going into financial year 2024/25 with a refreshed innovation team, one area that should be explored is the company's approach to publicly funded research through the UKRI. The opportunity exists to leverage already secured sources of finance with those of Innovate UK or, for lower technology ready level work, the UK Research Councils. Moreover, with the UK having re-entered the EU Horizon Programme, this too could be a source of significant funding to explore net zero topics of relevance to the company.

### Data and Digital

- The GD2 strategy needs to become embedded and a stakeholder engagement plan must be created as an updated strategy is developed for GD3.

### Stakeholder Engagement

- Ensuring all customer voices are heard and considered is important for GD2 delivery but will become increasingly important for GD3 when it is envisaged that plans for pathways to net zero will need to be more clearly articulated and policies put in place.
- As network cost increases are expected for GD3, it is also important that customers who are financially vulnerable are supported with meaningful services and NGN engages fully with advocates for these customers.



# 5 Customer Service and Vulnerability

## 5.1 Customer Satisfaction scores - CSAT Q4

Planned works	Emergency Repair and Replace	Connections	Overall
9.03	9.64	9.23	9.30

While NGN’s customers are broadly very satisfied with these high levels of performance, site tidiness and reinstatement (in both planned works and new connections) continue to be areas for quality improvement, with younger customers being less tolerant overall.

The CEG has observed some differences in stakeholder views where NGN should focus its quality improvement, for example whether it should continue with additional compensation. We have seen improvement in communications with customers which has been the main area of complaint, and we are encouraging NGN to continue to focus on improvements to communication.

## 5.2 Social Return on Investment (SROI)

NGN, along with other GDNs (and electricity distribution network companies -DNOs) jointly developed a common SROI Framework with Ofgem for all VCMA projects from October 23.

At the 2023 VCMA Showcase Event the CEG observed a wide variation in the value of SROI for different projects across different GDNs with some of NGN’s values being much higher/lower than other GDNs for what appeared to be similar activities.

As a result of discussion with our group, NGN is now reviewing its SROI calculations for all of its projects and comparing these against similar projects in other GDNs to ensure an accurate reflection of the value of both the project and any engagement associated with it.

## 5.3 Customers in Vulnerable Situations (CIVS)

The CIVS partnership initiative continues to be an excellent engagement tool for NGN with a strong mix of information sharing, knowledge building and feedback at the regular workshop sessions and events.

It provides a real opportunity to understand grassroots and strategic perspectives, and issues that matter most to people and collaborative ways to tackle these. We have seen clear evidence of NGN applying what it hears to the development of its strategy and delivery of projects, with a feedback loop approach of “you said, we did” that is always closed.

Members of the CEG attended the following:

April 23	Annual CIVS strategic workshop
May 23	CIVS stakeholder open day
July 23	VCMA Showcase
September 23	CIVS workshop: Spending allowances well – health focus
November 23	CIVS workshop: Energy affordability – staying warm and healthy at home
February 24	CIVS workshop: Meeting demand – capacity and resilience

Following regular observation of CIVS workshops, and reviewing stakeholder feedback, the CEG influenced NGN to strengthen its focus on health in 23/24 due to the clear links between fuel poverty, underheated and cold/damp homes, and health related issues. NGN commissioned NEA to undertake research which revealed:

- greater fuel costs for those with disabilities and those living with specific health conditions,
- increase in mental health issues within the network which can be a barrier to engagement in longer term support,
- increase in the risk of CO poisoning in those unable to repair/renew appliances,

These issues were considered at two CIVS workshops and we welcomed the collaborative VCMA health focussed project which will run over the next 2/3 years.

## 5.4 Vulnerability and Carbon Monoxide Allowance (VCMA) programme

NGN had up to £12.9m to spend between September 23 and March 26 under the VCMA. The CEG raised concerns at NGN's capacity to spend this amount effectively, and encouraged the company to focus not just on projects that provide direct help to customers, but to also ensure sustainability for those projects.

We also encouraged NGN to widen its reach and develop more health-related projects to improve customer outcomes. By the end of March 2024, NGN had committed 90% of its overall VCMA funding, supporting 116 projects across the region prompting it to pause new applications while it reviews how to allocate the remaining allowance.

The projects break down, roughly, into four key areas:

Project area	Aim
Fuel poverty and energy affordability	Meaningful impact in times of crisis/to prevent crisis
Supporting priority customer groups	Improving access, to and benefit from, PSR
Services beyond the meter	Providing additional help to keep warm/eat when engineers are at a property offering boiler repairs and replacement
CO awareness	Targeted campaigns and training to increase CO awareness

## 5.5 Challenges for 24/25 Delivery and Considerations for GD3

- We want to see a continuation of detailed attention on helping those who most need support, and NGN needs to avoid losing focus on ongoing delivery improvements as it prepares its GD3 business plan.
- Sustainability of social investments must be enhanced through equipping partners and communities to continue projects when initial seed funding stops.
- Allocation of remaining VCMA funding must focus on unmet need rather than balancing allocation across geographic/demographic areas.
- Ensuring the VCMA continues as in GD2 methodology and that projects remain well targeted and properly resourced to ensure good customer outcomes.
- Whether GDNs have a joint vulnerability strategy and if so, what would that mean for NGN customers, and what would happen to existing support via NGN's Customer Support Fund and Community Partnering Fund?
- How would voluntary reporting on the number of referrals to the Priority Service Register impact NGN's approach to encouraging take up?
- If there are changes to CSAT target setting, should the focus be on those areas where GDNs are doing less well? And what more can/should NGN be doing to a) improve reinstatement performance and address younger customer perceptions and b) address communication issues as these are the main reason for complaints.
- What is the appetite for NGN to go over and above Ofgem requirements such as improved support during emergency repairs, what might that look like, who would be eligible?
- Will shareholder-funded voluntary support continue into GD3?

# 6 Energy Futures and Sustainability

## 6.1 EAP targets

At the end of year three of GD2, we have observed that 74% of the total targets were being delivered as promised with only 4% needing attention (progress was very clearly illustrated in the company's annual environment report).

Good progress has been made with community partnership sustainability projects, including tree planting and biodiversity habitats. Climate change training has been introduced for NGN staff and school education programmes on sustainability and climate change have been developed due to the additional resources being put in place.

The transition to low carbon vehicles was the main area that didn't advance well in 2023-24, particularly compared to reported progress by Cadent who have introduced over 450 electric vans.

We have seen evidence of good stakeholder engagement on the environment, especially with NGN's Young Innovators Council (YIC). This group of future customers has given the company good insights into their expectations, which include high levels of transparency in reporting and avoiding carbon offsetting to achieve emissions targets.

## 6.2 Shrinkage

We received reports that good progress was made in reducing the amount of methane that is lost by the network (shrinkage and leakage) equivalent to minus 11% in 2023 versus 2021; and minus 35% in 2023 versus 2013.

This methane loss accounts for 91% of NGN's total greenhouse gas emissions, 326,692 tCO<sub>2</sub>e. We did however challenge NGN to work with the other GDNs to reduce reliance on modelling of shrinkage and to introduce a measurement mechanism that would more reliably measure the loss of methane from pipes and operations.

## 6.3 Redcar/hydrogen

The CEG followed the development of the stakeholder engagement strategy for the Redcar Hydrogen Community project bid very closely, establishing a dedicated subgroup which attended several events in Redcar, scrutinising the engagement strategy and observing engagement with residents and stakeholders.

We recognised the difficult position NGN had in managing expectations as it developed its bid and developed briefing materials that residents needed to make informed decisions.

The team in Redcar engaged well with residents and the council but lessons learnt are needed, focusing on government interactions/support and social media challenges (negative campaigning about the trial) which made the last 12 months of the project bid preparations very difficult.

The government decision not to progress the trial was very disappointing for NGN. It must now focus on engaging with the Fife Hydrogen neighbourhood project to help inform the decision on the future of gas in home heating, and on the East Coast Hydrogen initiative focusing on hydrogen transport for industry.

## 6.4 Sustainability Report

The new report format was well received by the CEG and the report covered all of NGN's sustainability activities and cross linked into other areas like Equity, Diversity and Inclusion.

The net zero educator role was highlighted as a positive with opportunities to engage with future customers beyond the YIC. Looking for best practice in and out of the industry in the next 12 months will further enhance the report.

## 6.5 Challenges for 24/25 Delivery and Considerations for GD3

- Decarbonisation of the fleet (with a focus on operational vans to meet 1 and 2-hour emergency response times)
- Continuing significant shrinkage/leakage reductions
- Learning from the Redcar hydrogen trial to support the Fife hydrogen neighbourhood trial.

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# 7 Resilience/Safety/Network Management

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## 7.1 DSP/Efficiency

Engagement with NGN's operational delivery leadership has been open and consistent across the reporting year.

The 14-company, direct service provider (DSP) model is clearly working for NGN, with comparative competition across the GDNs a key factor in driving operational excellence and efficiency.

With CSAT scores at the kernel of the DSP league tables, the voice of the customer is key to operational practices being reworked where necessary. For example, tidiness and speed of reinstatement are two examples of working practices that have been highlighted as needing improvement and which have subsequently been amended across the DSP group.

It should be noted that, in general, the DSP model is returning high satisfaction scores, and its nimbleness is allowing NGN to react quickly, at reasonable cost and without the bureaucratic inertia associated with large contractors.

Such efficiency is greatly facilitated by each DSP having access to the variety of NGN IT systems required to plan, execute, and monitor work undertaken. This ensures high pass-through efficiency for DSP and client alike, to the ultimate benefit of the customer.

The above messages were reinforced in the CEG meeting in August 2023 when NGN fielded one of its highest performing DSPs – MAU Utilities – to provide a contractor view of operations and NGN stakeholder engagement. This provided insights to, and challenges from, the CEG mostly associated with the pipe replacement programme and its impacts on individuals and communities.

## 7.2 Network Management and Resilience

In general, we have seen evidence that the gas network continues to be managed efficiently and safely. With the HSE three-tier safety enforcement policy driving network infrastructure priorities, NGN has re-orientated its activities in GD2 to ensure that it complies with HSE requirements, in particular around the prioritisation and targeting of cast iron pipes for either replacement or decommissioning, where network topology allows.

This fits with customer feedback in which safety continues to feature strongly. The emergence of Operational Network Services (ONS) as an NGN technical resource means that network interventions can be undertaken based on more accurate pre-works assessments, ensuring that the correct technical and technological inputs can be made to improve long-term network resilience.

## 7.3 Repex Targets

NGN has been open in its admission that it is still playing post-Covid catch-up with its Repex programme. However, given the above comments around DSP focus and associated efficiencies, coupled with the arrival of ONS, the forecast is that the company will out-perform its GD2 target by the end of the price control period by 49.3km (deliver 2,793.7km versus a GD2 target of 2,744.4km).

Given the two very open and discursive sessions (in person in August 2023 and February 2024) that have been held with the operational delivery team, there is no reason to think that this outperformance will not be achieved. Indeed, the leadership remains stoic in its determination to do so.



## 7.4 Workforce Resilience

The company has expressed its concern about the threat of labour pool shrinkage, and has reported higher levels of churn in the 14 DSP organisations. This would materially impact the speed and quality of delivery of the Repex programme, with the threat that the positive customer indicators could be reversed, with all of the associated implications.

The DSP model relies on a skilled and semi-skilled labour pool but is challenged by employee retention. From organisational charts provided and discussions held, the internal NGN workforce which plans, manages and executes the Repex programme looks to be very solid, forward-looking and hard-working. As such, its resilience is not in question.

They ensure invoices are paid quickly to aid DSP cash-flow and that there is good visibility of work to generate confidence in DSP management to combat some of the risk of labour flight through pay rises and length of contracts.

## 7.5 Challenges for 24/25 Delivery and Considerations for GD3 Delivery

- New HSE working time requirements will require a shift pattern review and agreement to allow emergency coverage, this will require additional resources which NGN propose to fund by a price control reopener mechanisms in GD2 and GD3.
- Negotiations with the unions and workforce are underway to ensure no disruption to NGN services.
- Cost increases may be passed through to customers as more expensive replacement works are anticipated for GD3, and NGN should look to increase use of AI and other technology to ensure efficiencies continue to be met to keep costs as low as possible.

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# 8 Focus for 24/25 and forward work plan

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## 8.1 Ongoing monitoring GD2 performance

As NGN move into more detailed business planning for RIIO-3 it is imperative that they do not take the foot off the brake in delivering promised outcomes for year four of RIIO-2.

Our regular meetings will include updates on performance and seek evidence of engagement in shaping delivery of ongoing programmes. Business as usual should not be disrupted although we recognise the need for a greater amount of our time scrutinising future plans from Spring to December 2024.

Some of the challenges to delivering customer promises are set out in 4.5. The ISG will ensure deep dive sessions focus on these topics.

## 8.2 Business Plan planning scrutiny for RIIO-3

Following final guidance from Ofgem we shall update our governance documents and review our forward work programme to ensure we are addressing the key areas Ofgem require us to focus on. Updated documents will be placed on our website.

## 8.3 Engaging with Ofgem/other ISG Chairs

There is much to be gained from learning from peers and sharing insights.

There has been constructive dialogue with the Chairs of the other groups this year and we shall continue to share ideas and our approach to scrutiny and challenge, respecting company confidentiality, especially where there are common cross cutting issues for customers.

## 8.4 Work plan modus operandi and key outputs

Whilst there is no requirement from Ofgem to produce a report on the draft or final business plans, as was the case for the CEG in RIIO-2, we will be writing a brief report for NGN on both the draft and final plans.

These will help form our submission to Ofgem's Call for Evidence in Q 1 of 2025, after the final business plans have been submitted.

We shall continue to provide written feedback to NGN from engagement events, and on early drafting of the business plan as it develops. Monthly meetings of the full group will be held along with subgroup meetings and deep-dive sessions for the key outcome areas.

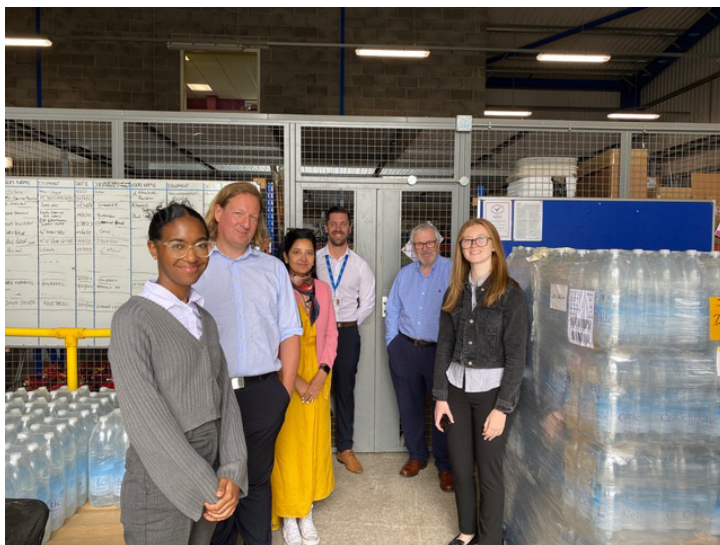
Where possible we will seek benchmarks to compare NGN's performance, and we shall challenge the company to develop an ambitious plan delivering best value to its customers.

## 8.5 Key topics for scrutiny – assessing new strategies and analysis underpinning the Business Plan for GD3

- Data and Digitalisation Strategy and Action Plan based on stakeholder input.
- Innovation developments leading to meaningful customer outcomes.
- Regional partnerships to deliver good customer services- and refreshed vulnerability strategy.
- Future of NGN's gas network - analysis on possible pathways and timescales.
- Customer Value/Acceptability/Willingness to Pay testing.
- Equity, Diversity and Inclusion strategy and action plan.

## ISG Members

Independent Stakeholder Group members 23/24	Start Date
Andy King	8th January 2024
Alan Lowdon	September 2018
Brian Matthews	August 2020
Charlotte Allan	6th February 2023
Carole Pitkeathley	September 2018
Eddie Proffitt	September 2018
Jenny Saunders - Chair	June 2018
Philip Broom	4th December 2023
Rupika Madhura	7th August 2023
Yvana Ferreira	6th February 2023



ISG site visit August 2023