



**Independent
Stakeholder Group**

NGN ISG Report 2024/25

June 2025

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Introduction

I wish to start this report by thanking Northern Gas Networks (NGN) and my colleagues on the Independent Stakeholder Group (ISG) for their positive support, hard work, and diligence throughout my time as Chair of the Customer Engagement Group (CEG) and now ISG, which comes to an end with the production of this report.

Ofgem's approach to enhanced stakeholder engagement has been positive for both the energy network companies and consumers. The industry is better able to meet the needs of gas consumers through an improved understanding of their priorities and concerns as well as developing processes to engage in meaningful ways.

I am proud to have been a part of a team that has helped shape NGN's business plans for both RIIO-2 and RIIO-3, and as a result of our challenges and scrutiny I believe that NGN is better placed to deliver services that are aligned with customers priorities and preferences.

I stand down at the end of June 2025 after 7 years to enable a fresh approach and am delighted that Brian Matthews, who has been a member of the group for 4 years, will take over the Chair's role and lead the ISG as it continues to scrutinise and challenge the Company's plans and delivery.

I hope all NGN key stakeholders will follow the ongoing work of the ISG via the regular blogs on our website and other reports, and will continue to engage proactively with NGN as it faces the challenge of delivering energy infrastructure that enables net zero targets, is safe and resilient and is affordable to all customers.



Jenny Saunders CBE, DCL

Chair NGN ISG July 2018- June 2025

Introduction

1.1 Remit/Governance

The ISG refreshed its Terms of Reference to reflect the guidance issued by Ofgem following consultation on the regulatory framework for RIIO-3. We have a clear mandate to monitor and scrutinise the delivery of NGN's current commitments, whilst also challenging the company on its proposed business plan for RIIO-3. We have fulfilled both roles, but with a strong focus on the latter this year.

1.2 ISG Membership

The Group has remained unchanged since last year's report and the list of members, and their specialist areas of interest appear at the end of this report. We strengthened the skills, experience and knowledge of the Group last year and have had a period of stability enabling us to really focus in on NGN's delivery, planning and decision-making processes. Two of our members, Yvana Ferreira and Charlotte Allen, who had been involved in the Young Innovators Council are also leaving at the end of June. Their focus has been on how NGN has engaged with future energy customers and issues important to them. They helped to shape the ISG's response to Ofgem's Call for Evidence on NGN's BP so that those issues were reflected and highlighted to the energy regulator. I am grateful for their input and the mentoring support provided to them by other more seasoned members of the group.

1.3 Regulatory, policy and social context

Following the General Election in 2024 there was a shift in focus for energy policy. The Clean Power 2030 target and faster transition to net zero was introduced. But with no formal decision on hydrogen and domestic heat, we witnessed more uncertainty for the future of the gas networks at a time the sector had to plan for the next regulatory period running 2026-2031. The current narrative suggests that hydrogen for domestic heating is now a lower priority, but the Government is expected to clarify its position over the next year. Of course, the need to maintain and manage the gas network in a safe and reliable way will continue for many years— in line with the Health and Safety Executive's requirements to replace old iron and steel pipes and in expectation that the electrification of heat will take several years. This is the bread and butter of NGN's work, but the company has had to navigate this in the wider context of different scenarios and pathways to deliver infrastructure for a net zero carbon emissions future. We have witnessed positive early engagement by NGN with the Regional Energy System Planning body that is being established for its region, and this will become an important focus for NGN in coming years.

Whilst our report last year concentrated on community engagement around NGN's bid for the Department for Energy Security and Net zero's (DESNZ) hydrogen village trial, the cancelling of this trial by DESNZ resulted in a huge change in focus for NGN in 2024/25.

This year we have sought to home in on major strategic developments in energy policy and regulation including data and digitalisation and work resilience and skills.

2 NGN performance Year 4 RIIO -GD2

Overview

Whilst the main focus this past year has been on the development of NGN's plans for RIIO-GD3, we have continued to provide challenge and scrutiny on behalf of stakeholders and customers on NGN's performance against outputs and outcome commitments for GD2. As well as being important in their own right, our tracking of GD2 delivery has provided reassurance that future commitments can be met and the company is positioned to meet future pledges and outputs. We encouraged NGN to run parallel engagement sessions with a focus on what is currently being delivered and where stakeholders/customers want to see changes. This enabled NGN to illustrate very clearly in its GD3 BP where there are new initiatives and enhanced targets, with evidence to back these up.

The build up to GD3 BP involved a critical and detailed inspection by the ISG of current performance and how it could be improved/enhanced. So, whilst the focus was on GD3 planning, it was based on our ongoing scrutiny of the current commitments.

NGN committed to report on 64 Outputs across the main 3 outcome areas of the current GD2 BP.

At our meeting in April 2025 NGN was able to demonstrate how it was performing against these commitments by the end of year 4 of GD2, and where its focus would be for the final year of RIIO-GD2. The company reported to us on how it had delivered against its regulatory targets and where its focus would be in the final year of GD2. Across is a brief summary:

Meeting the needs of consumers and network users

- 99.87% and 99.98% respectively on 1-hour and 2-hour response times
- 5.56 hour against a 10-hour penalty target for unplanned interruptions
- A score of 9.3 total customer satisfaction
- Fuel Poor Connections – NGN continues to measure performance even though the target has been dropped by Ofgem and funding reallocated to the VCMA programme, having completed 95 (24%). NGN will proceed with fuel poor connections that are considered the best fit for meeting customers' needs

Maintain a safe and resilient network

- The gas holder demolition programme has been completed, meeting exit capacity requirements, and targets exceeded for service replacements
- NGN is on track to meet its Repex Targets (30km mandated pipe replacement ahead of target expected at the end of GD2)
- Focus for delivery will be on 2" steel pipes, where there are additional projects to construct in Y5 to bring NGN in line with those targets for the end of the regulatory period

Deliver an environmentally sustainable network

- Shrinkage and Leakage on track
- Electric vehicles (EV) are delayed. 10 vehicles are currently on order, awaiting delivery. Charging points have been installed at offices and depots
- EV delays have a cascading effect on 3 other areas of NGN's business carbon footprint (BCF) target

The ISG had the opportunity to discuss the BCF targets during deep dive sessions and in main meetings over the course of the year so the end position regarding the deployment of electric vans has not come as a surprise. We have recommended a more thorough review of the availability and suitability of EVs for emergency operations by the industry and Ofgem to ensure targets for GD3 are meaningful and achievable.

2.1 Meeting the needs of customers – service standards and vulnerability

NGN has been improving its customer service scores year on year over the past 10 years rising from 9.01 in 2014/15 to 9.3 this year. NGN's performance averages just below mid-range compared with the other GDNs, but it is exceeding its regulatory targets which customers seem satisfied with.

There is a high level of meaningful engagement with stakeholders around vulnerability. Many of NGN's key stakeholders and delivery partners involved in VCMA programmes received feedback on how their insights had influenced the GD3 BP and are informed and consulted on with regard to delivery of the current schemes.

The ISG received an update on how NGN is focussing on areas of poorer customer service performance with new training and communications programmes planned for the coming year. The ISG also welcomed the proposed support for delivery partners to ensure their projects and organisations are sustainable at the end of the current VCMA programmes.

2.2 A safe and resilient network

Repex is the highest expenditure activity by NGN. Over the course of the year, we sought to better understand the drivers of increasing costs; NGN performance against its regulatory targets and benchmarked against other GDNs; the appropriateness of the DSP business model as the Repex programme nears completion; and communications with, and impact on, customers and communities.

The ISG has undertaken site visits, attended DSP engagement events and has received regular performance updates and we are content that the company is managing the programme cost efficiently compared with other GDNs, tackling some of the more expensive to replace ductile iron pipes that take longer and are more disruptive to customers and communities. However, there is much more of this type of work remaining for the final year of GD2 and into the next price control period.

2.3 An environmentally sustainable network

The ISG scrutinised NGN's environmental performance with a sharp focus on delivery of BCF targets during deep dive sessions and in main meetings over the course of the year so the end position has not come as a surprise. NGN has worked well to meet shrinkage and leakage targets which by far have the biggest environmental impact and are the most ambitious of the GDNs. But it will fail to recover its target for EV vans. We have recommended a more thorough review of the availability and suitability of EVs for emergency operations by the industry and Ofgem to ensure targets for GD3 are meaningful and achievable. NGN has made it clear to us that it will not compromise on safety, which is also a high priority for customers. We have welcomed the growth in the Sustainability and Environment team and their reach into the rest of the business and out to major suppliers to shape future targets. The annual sustainability report was subject to a deep dive review by the ISG. It provides a very clear view of NGN performance against its commitments in the People and Planet sustainability strategy.

3 Enabling strategies

In order to meet its commitments NGN has developed a range of 'enabling' strategies. These have strengthened the company's ability to respond and react to changes, to develop new approaches in line with changing expectations from the regulator, customers and society more generally. New technologies are becoming available along with developments in data analysis and AI. Attention to skills and the workforce is welcome with changing roles needed to meet the new commitments proposed in RIIO-GD3.

3.1 Data and digitalisation

There is huge potential to improve customer outcomes as a result of improved data use and digitalisation, and the application of AI. NGN has adopted a number of changes to its internal operations leading to efficiency savings and is embarking on how to make data more accessible and useable for customers/stakeholders. An updated strategy was developed prior to the BP final submission which showed more ambition in terms of customer outcomes as a result of challenge by the ISG.

3.2 Workforce resilience

A new strategy was produced to underpin the BP. Workforce resilience is a cross-cutting theme linked to deliverability of the proposals, culture of the company and its commitment to DEI. It is also part of NGN's approach to Sustainability with the 'People and Planet' strategy setting out how NGN is working towards several UN Sustainability Goals. The ISG held several sessions on this and saw improvements to the final version following our challenges.

3.3 Innovation

This has been a focal point of discussion and challenge by the ISG since the group was established. We had reservations about how ambitious NGN was in its plans for GD2, but we have observed significant changes and renewed ambition in innovation over the past four years. Quantifiable customer benefit outcomes of some of the innovation projects in GD2 have been difficult to assess and not always been evident to the ISG, but there has been a greater attempt to consider potential outcomes in the design of innovation projects.

3.4 Stakeholder Engagement

The ISG continued to attend all of the main engagement group meetings, and the annual schedule illustrates the external events we observed.

Key Engagement Events 24/25



Additionally, this year there was a greater degree of engagement with Ofgem, and the Chairs of the other ISGs for the gas and electricity transmission and distribution companies. This centred principally round the RIIO-3 regulatory framework.

We also started to meet on a regular basis with the newly formed National Energy Systems Operator (NESO) which has responsibility for strategic energy planning at a national and regional level. Whilst its immediate focus has been on the decarbonisation of the power system, the NESO has also engaged with us on how it proposes to take a whole systems approach and develop its regional teams that will start to engage with stakeholders in 2025.

4 Planning for and consulting on the Business Plan (BP) for RIIO-GD3

The ISG was mindful of the social, economic and political context in which the BP was developed: the ongoing cost of living crisis for many households who struggle, and will continue to do so, to meet any additional rises in energy bills; changes to Ofgem's remit introduced by the new government with a focus on growth; the establishment of NESO and the development of strategic regional energy plans; and the ongoing policy uncertainty around the future of gas for heating and the role of hydrogen. We responded in detail to Ofgem's Call for Evidence on the final submitted BP and our detailed comments are available on the website [here](#)

The ISG reviewed three iterations of the GD3 BP in drafting stages, and we highlighted to Ofgem how the ISG and other stakeholders had influenced the development of the BP, where we felt proposals were ambitious and would deliver benefits to customers. We raised 24 Challenges across the planning process which aimed to improve the quality of the BP. These were registered in a Challenge Log which was maintained and reviewed on a regular basis. We received satisfactory responses to all our Challenges. Whilst not all the proposed changes we sought were made, we were satisfied that they were addressed and had been given appropriate consideration.

Vision

The ISG is content that NGN's vision has been informed by suitable stakeholder engagement and relates to longer term outcomes. We encouraged NGN to consider its impact on the region and how its BP could help fulfil the vision and ambitions of regional stakeholders. NGN's vision for the future reflects feedback from stakeholders on their ambition for greater wealth and prosperity of the North and NGN recognises its wider role in supporting the economy in the north of England as well as the role it must play in the transition to net zero.

Ambition

Whilst NGN has a longer-term vision, it is taking a realistic stance on the need to maintain a safe reliable network until there is greater clarity on future sources of heating and role for hydrogen. Ambition in some areas is therefore somewhat limited, and we are concerned that the need for, and reliance on, reopeners due to an evolving policy arena, will require careful planning (and at times very short notice) in terms of new roles and skills within the company. But a culture of continual improvement exists in NGN which drives ambition to retain its status as the most efficient gas network provider, and its approach to collaboration will also help it succeed as it approaches the net zero and whole systems challenges that will emerge more clearly in GD3.

Alignment with stakeholder priorities and preferences

The **engagement strategy** to help inform and create the BP was successful in helping customers consider the options available and to articulate their priorities, preferences, and acceptance of the BP. Feedback from the stakeholder panels and working groups has been positive about the way in which NGN has engaged. NGN proposes to continue their core engagement groups into GD3 refreshing membership on a regular basis. This is in line with feedback from those groups who have seen the influence and impact they can have. But we are proposing that NGN provide more customer friendly benchmarking information to compare performance on key output areas with that of other GDNs and sectors.

The proposed **Customer Service standards** are in line with customer expectations. The ISG provided our support for NGN's Bespoke Output relating to 7 and 28 day repairs which has the full support of NGN's stakeholder groups.

Stakeholders have emphasised the importance of NGN providing clear pathways for both hydrogen and electrification as viable solutions to the **network decarbonisation**. This includes simplifying disconnection processes for households transitioning to electric heating and ensuring the scalability of hydrogen solutions. NGN's focus on understanding future disconnection needs aligns with stakeholder calls for transparency in energy transition strategies.

Innovation Over the course of GD2 the ISG has observed changes in the way in which innovation is managed, and internal governance arrangements. Much attention was focused on developing the case for hydrogen in GD2, although many other innovation projects were successfully designed and delivered, and a number of initiatives were reported on and presented to the ISG. On site visits and at a supply chain event we observed how innovative products and solutions were being deployed in the field, for example pipe insertion techniques and digital mapping of assets.

Through innovation projects and product testing the **NeRV** provides a means for NGN to deliver its ambitions for the region and net zero. The ISG asked for a clearer articulation of NGN's unique suitability to deliver NeRV. NGN has developed some strong partnerships which will be needed to maximise the benefit of the research village facilities that are already in place. Collaborations are essential for success and to ensure confidence in project delivery and value for money for customers.

Whilst NGN has a strong focus on meeting the needs of its most **vulnerable customers**, the ISG challenged the company to be more ambitious in several areas, and to push to do even more in areas where stakeholder feedback had indicated their support. Following a review of the Customers in Vulnerable Situations (CIVS) Strategy at an ISG deep dive session, NGN updated its strategy to demonstrate stronger ambition with clearer links to customer insights to each of the 21 proposed vulnerability commitments.

During the BP review process described above, the ISG also challenged NGN on the level of Vulnerability and Carbon Monoxide Allowance (**VCMA**) funding it was seeking in its GD3 settlement. The ISG felt that the draft bid was insufficiently ambitious to meet its ambitions, and as a result NGN increased the amount of VCMA funding from £10m to £15.9m to provide a level of service that was more in line with the priority placed on this by customers. NGN provided the ISG with evidence that it, and its partners, are able to deliver at the higher rate or to scale up or down depending upon the final determination.

The ISG challenged NGN to ensure its Vulnerability Strategy was aligned to the full business plan commitments and in particular its strategy for net zero. NGN demonstrated to the ISG at a deep dive session how its proposals were in line with the principle of a **safe and just transition to net zero** as described in a report NGN had commissioned by National Energy Action (NEA).

The ISG is satisfied with the progress made in the delivery of the GD2 **Environmental Action Plan** (EAP) and associated

Annual Environmental Reports and Sustainability plans and reports which form a strong basis for the delivery of the proposed plans for GD3.

It is clear that the **net zero plan** is dominated by the estimated shrinkage and leakage performance across the network, which is founded on industry standard calculations based on length and type of the network. Further work on active monitoring of shrinkage/leakage is paramount for the sector to properly ascertain its true carbon impact.

The remaining operational net zero and Environmental Action Plan targets (resource use and waste, business carbon footprint, biodiversity etc.) are relevant and progressive, albeit with a lower materiality to the leakage performance on the network. However, the ISG believe these are consistent with the aspirations and targets of other similarly sized organisations.

The ISG was supportive of the **resilience commitments** set out in the BP and based on previous performance and forward planning we believe these are deliverable, with processes in place to address the challenges highlighted in the BP. The commitments cover all activity areas from infrastructure to supply chains and the workforce and demonstrate the company's overall 'resilience readiness'. NGN was able to demonstrate to the ISG that processes are in place for capturing emerging and actual risks rising from extreme weather events and that its emergency response procedures were fit-for-purpose in that respect. The ISG have seen evidence that action around climate resilience is integrated into BAU activities with measures embedded into the routine operations like the Repex pipe replacement programme, network management and planning.

Inclusion, Diversity and Equity A focus on Inclusion and Belonging appears to have been a more recent feature of GD2. This is an area where NGN has agreed that progress has been made but it is slow, and targets are not as ambitious as we would have liked to have seen. However, members of the ISG do recognise this is not just a matter for NGN, who has made more effort than some energy companies, but it is a sector-wide issue. We were surprised that a 40% target for representation of women in senior positions hadn't already been met and urged NGN to address this by the end of GD3 – which is now a firm commitment in the GD3 BP. The widening gender pay gap needs both attention and action.

Customer feedback has shown that customers want **costs** as low as possible but accept that to meet high safety standards and provide reliable supplies they may need to pay a little more. NGN was challenged by the ISG to reduce costs and at final submission costs were reduced by £107m.

5 ISG Effectiveness review: ISG influence and impact

We can only be effective if we have constructive engagement across the company business areas and we thank all of those across the company who have worked with us this year and have allowed us to scrutinise and challenge their work.

The ISG has retained the original 4 key effectiveness criteria set when the group was established by which we assess the difference we are making. These are set out below and relate to the remit of the Group. We assess ourselves annually against those criteria and provide evidence of where we feel we have been most effective. A copy of our assessment of our effectiveness is appended to this report.

Summarised below are a few of the key ways in which we judge we have met the criteria and have influenced NGN.

5.1 Design and delivery of policies and programmes clearly reflect the challenges/ issues raised by the ISG.

Examples of where we sought improvements and how NGN responded are listed below:

- NGN provides greater clarity on the impact of its GD3 proposals and any benefits to customers
- Clearer vision and greater ambition are articulated in the GD3 BP
- There is more evidence of how stakeholder insights are influencing decision making
- Success factors are articulated more clearly
- NGN enhanced its VCMA budget commitment for GD3
- Environmental outputs were enhanced with increased hedge row planting at NGN sites
- There was a refocus on operational vehicle replacement commitments and lowering transport and wider emissions
- NGN committed to collect more data before setting more meaningful diversity targets
- There is now a sharper focus on what can be delivered by the National Energy Research Village (NeRV)
- NGN is committed to a more ambitious innovation programme
- Engagement methodologies have been improved – with less costly and more meaningful research surveys to establish the value customers place on the BP and its acceptability

5.2 As a result of ISG involvement, stakeholder views have influenced and been properly considered in the design and delivery of programmes.

Examples include:

- We challenged NGN to think about inclusive systems rather than segmenting customers by their circumstances which had also been raised by the Citizen's Panel. This would not only make commitments much broader but would encourage NGN to think about inclusivity across the business. As a result, NGN enhanced its Inclusivity Engagement Framework designed to ensure inclusivity across the range of business activities which has influenced its approach to workforce inclusion and belonging strategy.
- Engagement channels were refined to enable a greater number of seldom-heard voices to be considered.
- Processes and governance reviews by the ISG around the use of stakeholder insights showed weakness in decision making. A new management group was set up to review stakeholder feedback on a quarterly basis and make decisions based on those insights which was welcomed by the ISG.

5.3 NGN's engagement with stakeholders has been influenced because of ISG scrutiny and challenge.

Examples of where the ISG challenged and NGN responded positively are listed below:

- The BP strategy was reviewed by the ISG as each wave of engagement was scrutinised and results monitored and feedback from the ISG was captured and responded through our formal challenge process
- Acceptability testing was undertaken with an informed group of stakeholders at a day long workshop and at a Citizen's Panel meeting instead of a wide-reaching survey form as carried out for GD2
- NGN principles were embedded in the GD3 BP
- A jargon-free and stakeholder-friendly version of the BP was published alongside the submission to Ofgem. This enables stakeholders and customers to see more clearly what they can expect from NGN over the 5-year period and the impact/benefits and costs of any changes proposed
- The impact on the average gas bill of the GD3 BP was unclear in early iterations, and the ISG requested a breakdown of how the overall bill increase was made up which was included in the final submission

5.4 ISG influence has led to improvements to customer outcomes.

Our impact is more difficult to evidence at this stage in the GD3 BP process, but NGN will report more clearly on customer outcomes as a result of our challenges. But a couple of examples below illustrate where NGN is now aiming to improve outcomes.

- NGN is undertaking personas research which should lead to more customer focussed information and more open accessed data.
- Greater transparency and meaningful engagement is now embedded in NGN's engagement strategy which enables stakeholders to better consider the impacts of proposals.

6 Forward Work Plan

A strong focus for the group during 2025 in the run up to Ofgem's final determination on NGN's BP will be on the company's preparation and readiness to start delivery of GD3 commitments.

There will be further engagement on the specific deliverables in a number of areas, and it is important that NGN continue to gather insights from stakeholders on the 'how' and not the 'what' as programmes are shaped.

Working sub-groups of the ISG will continue to hold deep-dive sessions between the bimonthly meetings particularly around newer strategic areas on data/digitalisation and AI, workforce resilience, DEI, sustainability, customers in vulnerable situations, regional energy strategic planning and innovation.

Members of the ISG will continue to attend engagement events, for example, we intend to re-engage with NGN's Biomethane Producers group in 2025/26 should Ofgem's final determination support further development. We shall also seek to ensure that digitally excluded customers continue to be heard and their needs are addressed.

ISG Members

Independent Stakeholder Group members 24/25	Areas of specialism
Andy King	Environment, Sustainability
Alan Lowdon	Innovation, Engineering
Brian Matthews	Decarbonisation, Innovation, Resilience
Charlotte Allan (Leaving June 2025)	Vulnerability, EDI, Workforce and Supply Chain
Carole Pitkeathley	Vulnerability, Stakeholder Engagement, Customer Service
Eddie Proffitt	Industrial and Commercial, Resilience, Environment
Jenny Saunders – Chair (Leaving June 2025)	Customer Service, Vulnerability, Stakeholder Engagement
Philip Broom	Economics, Whole Systems, Industry
Rupika Madhura	Regulation, EDI, Workforce, Data and Digitalisation
Yvana Ferreira (Leaving June 2025)	Environment, Resilience, Data and Digitalisation





**Independent
Stakeholder Group**

Annex

**NGN ISG
Effectiveness
Review 2024-25**

Introduction

This report covers the period 2024-2025 (year 4 of the RIIO-2 price control period 2021-2026).

The Independent Stakeholder Group (ISG) has retained the original 4 key criteria by which we assess the difference we are making. These are set out in the tables below and relate to the original remit we set for the Group which were to ensure that:

- **Design and delivery of policies and programmes clearly reflect the challenges/issues raised by the ISG;**
- **As a result of ISG involvement stakeholder views have influenced, and have been properly considered in, the design and delivery of work programmes (and the Business Plan for GD3)**
- **NGN’s engagement with stakeholders has been influenced because of ISG scrutiny and challenge**
- **The ISG has influenced NGN to perform in ways that have led to improvements to customer outcomes.**

We agreed that on an annual basis we shall assess ourselves against those criteria and provide evidence of where we feel we have been most effective.

This report has also been appended to our annual report for 2024-2025, and our response to Ofgem’s Call for Evidence on NGN’s proposed Business Plan for RIIO-GD3, as they also seek to illustrate where we have influenced and challenged NGN.

Whilst the audience for this review is the Group itself and NGN, we are content to provide it as evidence to Ofgem as part of their assessment of the delivery of NGN’s current business plan and the company’s business plan for RIIO-GD3 and to share with NGN’s wider stakeholders via the NGN ISG website.

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

We can only be effective if we have constructive engagement across the company business areas and we thank all of those who have worked with us this year and have allowed us to scrutinise and challenge their work. We acknowledge NGN’s willingness to continue to engage in meaningful ways with members of our group.

The ISG have continued to scrutinise NGN’s performance across the main business plan areas with a particular focus this year on

- How NGN compares with other GDNs and sectors
- Whether performance standards provide a sound basis for GD3 business plan proposals
- How stakeholder views are shaping decisions

We have met on a monthly basis since January 2024, with more detailed scrutiny carried out in subgroups and deep-dive sessions. The support from the drafting team by providing weekly progress and timetable updates made it easy for us to schedule deep-dive sessions and topics for discussion.

Examples of our influence/impact 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.

Note - We have tried to avoid duplication, and some comments could fall under different sections.

We have discussed how the group could improve its effectiveness and this will be discussed with NGN.



1 Priority Area

Design and delivery of policies and programmes clearly reflect the challenges/issues raised by the ISG

Work Programme Area	Influence or Impact
Meeting Customers' Needs and vulnerable customers	<p>Enhanced VCMA budget commitment for RIIO-3 – charitable funds and targeted use of existing VCMA</p> <p>The ISG challenged NGN on the value of the VCMA it was seeking as part of its award from Ofgem. The ISG felt that the planned bid was too low and as a result NGN increased its bid from £10m to £15.9m and provided the ISG with evidence that it is able to deliver at the higher rate and scale up or down depending upon the final determination.</p> <p>NGN has a strong culture and track record in this area, but the ISG has continued to challenge NGN to maintain and improve this – move forward not stand still</p> <p>The ISG recommended the removal of Social Return on Investment (SROI) for some programmes in favour of more appropriate measures where these were deemed more likely to demonstrate the value customers would place on them, and not just provide NGN and Ofgem with a monetary value.</p> <p>NGN removed the average SROI to remove the risk of delivering higher impact projects which had a lower SROI</p> <p>The ISG encouraged NGN to include the bespoke ODI on 7 and 28 day repair targets into GD3 after it was rejected by Ofgem at GD2. Benchmarking with other GDNs illustrates NGN is performing well on this target and we support the ODI to recognise this performance and encourage higher standards across the GDNs.</p> <p>There was also strong support for this from the Citizens Panel</p> <p>The ISG challenged NGN to consider the case for removing gas from MOBs in a way that addressed the needs and concerns of tenants as well as landlords and NGN and a more considered approach was developed highlighting the safety concerns and relationships with landlords to deal with tenants' concerns.</p>
Environment/Sustainability/Energy Futures	<p>We supported NGN's Environmental targets but pushed for enhanced outputs in terms of hedge row planting, and a refocus on transitioning their vehicle fleet to follow Cadent's lead.</p>
Workforce resilience and DEI	<p>The ISG secured a commitment from NGN to collect more data before setting more meaningful diversity targets. We challenged the original DEI targets as being insufficiently ambitious and at too slow a pace and based on inadequate data.</p> <p>NGN has committed to collecting more data to underpin robust targets on DEI alongside an explicit target of 40% women in senior roles during GD3.</p> <p>The ISG probed to continued suitability of the DSP model to provide efficient and high standards of service. There are pressures to maintain delivery to the end of Repex but discussions with the DSP community led to a better understanding of how a retention incentive scheme might work in customers interests.</p>

Work Programme Area	Influence or Impact
Innovation	<p>The ISG had a sharp focus on what can be delivered through innovation and NGN's stated commitment to a greater innovation programme.</p> <p>There was acceptance that innovation management had been too discontinuous, staff and process-wise and that 'stability' for GD3 is required.</p> <p>Infrastructure for Net Zero Future Net Zero Research Village (NeRV)</p> <p>The ISG provided extensive scrutiny, support and strategic oversight to NGN's NeRV initiative, a project aimed at supporting the UK's housing decarbonisation objectives. Building on NGN's previous successful initiatives such as the Customer Energy Village and Futures Close, the ISG challenged NGN to strengthen the strategic justification and clarify the direct value proposition for gas customers.</p> <p>Specifically, the ISG posed two critical challenges:</p> <p>Strategic Justification: We asked NGN to explicitly demonstrate why it is uniquely suited to manage and deliver NeRV, leveraging insights and successes from previous decarbonisation projects.</p> <p>Funding Rationale: We rigorously questioned NGN's proposal that gas customers should fund 90% of NeRV's £16.5m budget, pushing for clearer articulation of direct benefits to these customers, particularly given the project's focus on housing efficiency and electrification solutions.</p> <p>Impact of ISG Challenges: In response, NGN made significant enhancements to the NeRV proposal:</p> <ul style="list-style-type: none"> • Clear Alignment with UK Policy: NGN realigned NeRV objectives explicitly with UK Net Zero policy priorities, notably Clean Power 2030, highlighting its contributions to Demand-Side Response (DSR), Virtual Power Plants (VPPs), and smart grid innovation. • Regional Strategic Alignment: NGN clarified the integration of NeRV with Regional Energy Strategic Plans (RESPs), illustrating how NeRV could actively contribute to and shape regional decarbonisation policy. • Comparative Advantage and Collaboration: NGN committed to enhancing collaborative frameworks and formalising knowledge-sharing mechanisms with universities, research bodies, and innovation centres such as Catapults, further strengthening NeRV's strategic positioning. • Financial Sustainability Roadmap: In direct response to ISG's sustainability concerns, NGN developed a clearer roadmap for financial sustainability, identifying potential commercial partnerships and revenue streams to reduce long-term reliance on regulatory funding. • Operational Clarity: NGN demonstrated how operational and construction lessons from previous projects, particularly the Customer Energy Village, have informed the NeRV delivery plan, significantly enhancing risk management and operational reliability. <p>These targeted improvements, clearly resulting from ISG's detailed scrutiny, have substantially strengthened the clarity, credibility, and deliverability of NeRV, underscoring ISG's critical role in shaping a project that will be instrumental in achieving regional and national Net Zero targets.</p>

Work Programme Area	Influence or Impact
Safety and resilience	Attendance by the ISG at site visits with Ofgem provided the opportunity to hear NGN's clear articulation of the underground asset works being undertaken for safety and resilience reasons, including the engineering constraints being overcome. This in turn allowed the ISG to better scrutinise the costs in the BP for the final stages of Repex. This also led to some cost reductions but acceptance by the ISG that some costs increases will be needed for more complex replacement works
Stakeholder Engagement	<p>Engagement methodologies to inform the GD3 BP were improved following agreement between NGN and the ISG that some of the approaches for GD2 were both costly and lacked credibility – even though encouraged by Ofgem.</p> <p>Less costly and more meaningful surveys were designed with input from the ISG.</p> <p>The ISG were especially sceptical about WTP and Acceptability testing and pressed for more meaningful surveys and methods – including the 'shopping basket' approach to allow customers to pick and choose. Whilst this was rejected, NGN did identify better methodologies that drew out the value customers place on different aspects of the BP.</p> <p>The ISG encouraged NGN to explore acceptability for the final proposals once costs and bill impacts had been finalised – but only with a more informed audience in a stakeholder workshop. The numbers were therefore relatively small and not a representative sample but views were based on a deeper understanding of the options that had been explored to reach the final BP. NGN set out in the GD3 BP the ratings it received during this exercise as evidence of stakeholder acceptability.</p> <p>NGN set up the Stakeholder Strategic Steering Group – as a result of an ISG challenge last year around governance and creating a robust process for stakeholder influenced decision making – The processes became embedded in 2024/5 and the ISG now observe these meetings on a regular basis.</p> <p>The ISG was concerned about communications with customers before and during engineering works. More DSP training has resulted in greater efforts being made on site to inform customers of civil and engineering works to be completed and underway.</p>
Data and Digitalisation	A new 2 year D and D strategy was developed for submission with the BP following challenges by the ISG as to the relevance of a strategy document that only ran to 2026 (although Ofgem did not require an updated strategy). This also resulted in greater clarity on customer outcomes and access to data

2 Priority Area

As a result of ISG involvement (subgroups/deepdives etc) stakeholder views have influenced, and have been properly considered in, the design and delivery of work programmes (and the Business Plan for GD3)

Work programmes/Projects	influence
Quality Service	<p>Delivery of the Customers in Vulnerable Situations (CIVS) programme: Following a review of the CIVS Strategy at a Deep Dive in August NGN updated the strategy to demonstrate stronger ambition and clearer links to customer insights across each of the 21 vulnerability commitments.</p> <p>The ISG attends the quarterly workshops with CIVS members and listens carefully to their views. The ISG expressed concern that some projects run by CIVS delivery partners are wholly or mainly dependent upon NGN funding and the need for an exit strategy and consideration of the sustainability of projects and groups.</p> <p>NGN changed the application process to include sustainability and community legacy, developed working arrangements with delivery partners to help them help themselves through improved planning and succession planning, and increasing business development to attract additional funds.</p> <p>With insights from the CIVS working group members the ISG also encouraged NGN to help to link up smaller charities and community groups with larger partners to share learning and offer support. Some of this was planned earlier in GD2 but came to fruition this year and will continue into GD3.</p> <p>Encouraged by the ISG, NGN also developed a more robust governance process for allocating VCMA funding which involves some of the delivery partners and CIVS strategic policy group, in the decision-making process - which the ISG has observed and commends.</p> <p>During CIVS Hot Topic workshops and strategic planning workshops – NGN is involving stakeholders to provide support and challenge on the development of projects and share learning from their own projects.</p> <p>Having observed the Young Innovators Council, the ISG encouraged NGN to consider different perspectives on vulnerability and communications channels. This led to fresh thinking about vulnerability categories and the use of social media in tracking and dealing with complaints.</p>

Work programmes/Projects	influence
Infrastructure for Net Zero Future	<p>NGN is rolling out its Supplier Code of Practice with the aim of encouraging DSPs and other major suppliers to adopt more Net Zero targets. Some of these suppliers have expressed concern about costs and skills, however many are now embracing the Code and performing well against it. Mindful of the implications on smaller suppliers NGN is proposing more support and encouragement for them.</p> <p>The ISG has encouraged NGN to work with Ofgem and other GDNs to ensure the voice of young people and future generations is better heard and responded to. The NGN YIC is a good example of how to engage a group of younger future customers, but NGN is also listening to and learning from its Net Zero Educator role which should help inform future decision making and delivery.</p> <p>A new graduate apprenticeship scheme has come as a result, in part at least, of ISG persistence around engaging younger and future customers in the business.</p> <p>NGN established a Biomethane Producers group, but the ISG has not been involved in any of the meetings this year and should aim to pick this up in the coming year if Ofgem draft determination supports the further development of biomethane.</p> <p>We encouraged NGN to consider what engagement it should have with the National Energy System Operator's regional teams as they became established, and to engage positively.</p>
Secure and Resilient Supplies	<p>The ISG recognise the importance of DSPs feeling part of a 'one delivery' team and witnessed the approach on site visits to ensure consistency of quality across the DSP group.</p> <p>The ISG helped to facilitate discussions during site visits among operatives to improve and reinforce understanding by Ofgem of the engineering challenges ahead</p>
Value for Money	<p>More meaningful engagement with informed Stakeholders resulted in a good level of understanding of the implications of the GD3 BP proposals and a high level of acceptability when the final proposals and costs were presented at a stakeholder workshop.</p>
Transparent Engagement	<p>The ISG heard feedback on different iterations of the BP by the CIVS CP and YIC groups and reviewed NGN evidence of how their insights had shaped the BP</p>

3 Priority Area

NGN's engagement with stakeholders has been influenced because of ISG scrutiny and challenge

Work programme area	ISG influence/challenge	Customer/stakeholder Impact
Strategy development and principles	<p>The ISG advised against running two separate engagement strategies for GD2 delivery and GD3 planning. The strategy was therefore a build on current delivery with proposed changes to that.</p> <p>The full engagement strategy was updated at the start of the year. Engagement channels and process changes were made following presentations and deep dives with the ISG</p>	Analysis of the results of engagement was carried out with the ISG where we were able to challenge assumptions and weighting placed on insights from different stakeholders. This led to more credibility of the findings and use of insights
Engagement methodologies	<p>Comments in sections above demonstrate the importance placed by the ISG on meaningful engagement and the need to consider which engagement methodologies would yield the best insights.</p> <p>NGN has embraced the principles of quality engagement to carry out different waves of engagement to identify priorities and preferences, consider BP options and then carry out acceptability testing.</p> <p>The ISG attendance at engagement events, reviewing survey methodologies and site visits has provided the group with direct insights from a wide range of stakeholders to help shape NGNs future engagement methodologies</p> <p>The Customer Perceptions annual survey tracks perceptions of the company and customer views on its services based on their personal circumstances and the changing social and policy context. The ISG have supported the continuity of this research with new and enhanced questions to probe on emerging issues.</p> <p>This might be a tool in future to consider accelerated depreciation costs and other regulatory and policy costs.</p> <p>The ISG's feedback significantly influenced NGN's stakeholder communication and approach, resulting in the development of a stakeholder version of the BP which was jargon-free with clearer, customer-friendly benchmarking data that enhances stakeholder understanding and engagement.</p>	Triangulation reports have been shared and scrutinised to ensure NGN has not misinterpreted feedback and used it inappropriately to support areas of work where this is not justified.

4 Priority Area –

The ISG has influenced NGN to perform in year 4 of GD2 in ways that have led to improvements to customer outcomes.

The ISG are mindful that some outcomes will not be evident immediately with some impacts only being realised in the longer term.

Work programme area	ISG influence/challenge	Customer/stakeholder Impact
Meeting Needs of Customers	<p>ISG challenged NGN to extend its reach in terms of the type of social projects it supports and the geography of these projects to ensure no customers are left behind. This was supported across a range of engagement events and was particularly important to stakeholders who attended the regular CIVS workshops and hot topic events. NGN was generally successful in extending its geographical reach and demonstrated innovative ways of reaching parts of the region that it previously been unable to do so. This was achieved through developing innovative partnerships and collaborating with others who had a stronger foothold in a particular area.</p> <p>Whilst we suggested that NGN might deploy more customer service operatives to improve its CSAT scores, NGN pushed back and stated resources were better deployed in addressing the issues that impact CSAT scores – e.g. unplanned works and connections</p>	A review of NGN's regulatory outputs and outcomes for year 4 at the ISG meeting in April 25 demonstrate NGN is meeting its obligations to customers and going above and beyond its regulatory standards. Whilst it is not as high in rankings of customer service scores the ISG was reassured that its standards of performance are sustainable, and we agree they are in line with feedback from the Citizens panel in terms of expectations and costs.
Environmentally sustainable Network	<p>Apart from EV related targets NGN is meeting its environmental targets for year 4.</p> <p>We pushed NGN not to abandon its commitment to low emission vehicles and to continue to assess suitability of new vans with the 1/2 hours response time requirements. We accept the methane emission savings from speedy emergency response times outweighs Business Carbon Footprint savings from EV deployment.</p>	Satisfaction that NGN continues to rank safety as imperative. But other priorities and preferences properly considered in drawing up and delivering projects with environmental action plan proposals ranking fourth for customers
Safe, Secure and Affordably Supply	The ISG scrutinised why 'open cut' is on the rise versus the use of trenchless systems.	<p>The ISG is encouraging NGN to address and avoid any resulting impacts of more complex works i.e. - more urban and environmental disruption with longer lead times to works completion due to trenching.</p> <p>ISG's challenges directly contributed to NGN reducing its total expenditure forecasts by approximately £107 million, enhancing value for money without compromising service quality or performance commitments.</p>

Work programme area	ISG influence/challenge	Customer/stakeholder Impact
Enabling strategies:		
D&D	The ISG requested an updated and revised D and D strategy this year with a greater focus on customer outcomes. We encouraged and helped shape the Personas research to shape the kind of data stakeholders want and will use	Whilst still a way to go, NGN has shown it is ahead of the curve in developing open data for stakeholders More accessible data should becoming available into Year 5 of the BP
Workforce	The ISG reviewed the workforce strategy which was much improved and is starting to address some of the issues around DEI and skills for the future	NGN has a number of initiatives underway to ensure the workforce reflects the demographics of local communities and addresses their needs
Innovation	The ISG commented on versions of the new Innovation strategy and encouraged NGN to explore more external funding sources	There is now a clearer focus on outcomes for customers of any innovation undertaken or planned and a commitment to bring in wider innovation funding rather than rely on NIA customer funded programmes
Stakeholder Engagement	A thorough review of NGN's engagement strategy, the ISG's involvement in events and in shaping methodologies has shaped meaningful engagement leading to better decision making	Greater transparency and meaningful engagement including a customer facing version of the BP to help them better understand NGNs services and what they are paying for