



Northern Powergrid
Independent
Stakeholder
Group

Report 2023-24

June 2024

Contents

Introduction **3**

Executive Summary **4**

SECTION

1 **Transition from CEG to ISG and Membership changes** **5**

Establishment of the DSO Review Panel

2 **Monitoring NPG's ED2 Performance** **6**

2.1 Energy Futures

2.2 Resilience

2.3 Meeting Customers' Needs

2.4 Our People Our Communities

3 **DRP Sub-Committee Report** **7**

4 **ISG Focus areas for 24/25** **12**

Annexes **15**

ISG Terms of Reference

Nolan Principles

ISG Biographies

Stakeholder Engagement Events Observed

Introduction

This report covers the work of the Northern Powergrid (NPg) Independent Stakeholder Group (ISG) which was formerly known as the Customer Engagement Group (CEG), for the period 1st April 2023 – 31st March 2024.

1st April 2023 saw the start of the ED2 (Electricity Distribution2) period which runs from 2023-2028 so this is the ISG's report on year 1 of delivery of the ED2 plan.

The ISG will publish annual reports on its work during the five years of ED2. The year saw a transition from the Group's previous work on the creation of the ED2 plan into a monitoring role where we sought evidence that NPg was operating in a way that was consistent with the promises made to Customers within its ED2 business plan and, in particular, the 83 Customer commitments listed within that plan.



Executive Summary

- **2023/24 has seen a change in the activity of the ISG, with the Group's focus being on monitoring the delivery of Year 1 of NPg's ED2 plan.**
- **A significant focus for NPg during the year has been the establishment of the Distribution System Operations (DSO) function along with associated recruitment. During the year a DSO Review Panel (DRP) was established as a sub-committee of the ISG.**
- **We have witnessed extensive Customer engagement during the year, particularly in relation to the establishment of the DSO function where NPg has undertaken a concerted programme of external engagements to communicate the activities of the DSO and the application of NPg's "Flexibility First" approach. This programme has been well executed to date and, overall, appreciated by stakeholders. In addition ISG Members have attended various launches, conferences, seminars, webinars, seen a refresh of the Citizens Panel and the introduction of NPg's "Power of 10" campaign.**
- **We have witnessed continued learning from Storm Arwen, resulting in the implementation of a suite of measures to provide enhanced on-site support for Customers during power cuts. Given a series of consecutive storms over the Winter of 23/24 this has been particularly valuable and we have seen improvements in both NPg's storm preparedness and response.**
- **Connections reform has brought benefits to several Customers in the queue, although this remains an area of significant interest for stakeholders across many projects still wishing to connect.**
- **We were pleased to see the publication of NPg's sustainability strategy which is something the ISG had flagged as being necessary, and Members look forward to seeing its impact across the remainder of the business plan period.**
- **The establishment of the Energy Systems directorate underpinned NPg's commitment to the Energy Transition. However, the full establishment of this significant directorate, along with full resourcing, is taking time and resource gaps have led to delays in progression of some areas, particularly the embedding of innovation which remains an area of ongoing focus for the ISG.**
- **Overall we believe that NPg have made a good start to the delivery of their ED2 commitments and whilst a number of areas described in this report require further development, we are encouraged by what we have seen to date. As we look forward to Year 2 of the ED2 programme our particular focus will be on those areas as we look for assurance and evidence that Customers' needs are always front of mind in NPg's thinking and delivery.**

1 Transition to ISG from CEG and Membership Changes

During the course of the year Ofgem published proposals in relation to preparation for the RIIO3 period which relates to the gas distribution networks. Within those proposals Ofgem asked that the gas networks move away from the previous model of having Customer Engagement Groups (CEGs) and establish Independent Stakeholder Groups (ISGs). Whilst guidance on the ED3 business plans is not yet due for publication we believed it to be highly likely that Ofgem will make a similar request to the electricity networks, and so proactively took the decision to rebrand as the NPg ISG. Our belief is that this better reflects the work of the Group, which does not directly engage with Customers - rather it observes, scrutinises and comments on all stakeholder engagement undertaken by NPg with a view to ensuring that such engagement is as inclusive and supportive of Customers' needs as possible. Since making this decision, it has been observed that the other electricity network CEGs have also rebranded as ISGs.

In order to properly test and challenge the preparation of NPg's ED2 business plan, the former CEG was initially established with 10 members. Following the completion of the business plan submission work, the group was reduced to 6 members which was considered more appropriate given the move to its monitoring role. Throughout the course of the year there have been three changes. Firstly, the year saw the retirement of the founding Chair of the CEG, Justin McCracken, and the recruitment of Chris Murray MBE as the new Chair. Chris was appointed as Chair Designate on 1st August and he and Justin worked in partnership until Justin's departure following the October 2023 meeting of the Group.

Joanne (Jo) Coleman OBE was also appointed as a member of the ISG on 1st August.

In August 2023 Simon Pringle concluded his work with the Group.

We would like to record our grateful thanks to Justin for his excellent work in establishing the CEG followed by his outstanding leadership, and we would like to thank Simon for his invaluable contributions throughout his term of appointment.

In readiness for the onset of the ED3 process, steps were taken to augment the capabilities and capacity of the ISG and Melanie Taylor and Monica Collings joined the Group with effect from 1st April 2024.

Note: Hereafter all references to the Group within this report will be "ISG" even if it had been operating as the "CEG" at the time.

Establishment of the DSO Review Panel

With the creation of the NPG Distribution System Operations (DSO) function, the decision was taken to create a Distribution System Operations Review Panel (DRP) as a sub-committee of the ISG.

NPG is committed to delivering DSO functionality, including the use of flexibility solutions, to defer or avoid conventional network reinforcement solutions wherever appropriate. Its Flexibility First policy is to employ flexibility services as a solution in preference to network reinforcement wherever it can demonstrate it is the most efficient and economical overall outcome for Customers.

As the operation of the DSO is within the oversight remit of the ISG, the DRP was set up specifically to scrutinise the application of NPG's Flexibility First policy – and this group is chaired by Jo Coleman. More detail on the work of the DRP panel can be found in Section 3.0 of this report.

2 Monitoring NPg's ED2 Performance

Monitoring of NPg's delivery against its ED2 business plan commitments has been the key function of the ISG this year. NPg established their Business Plan Engagement Group (BPEG) as a key part of their internal management process to help provide oversight of business plan delivery, ensuring that stakeholder feedback is firmly embedded within NPg's priorities, investment decisions and planning. Four sub-groups were created within the process structure and these largely align to the ED2 business plan areas, with each sub-group having an assigned chair and associated members. In order to enable the ISG to monitor delivery of NPg's business plan commitments both the main BPEG group, which meets quarterly, and all four sub-groups have at least one ISG Member in attendance. Each sub-group benefits from receiving reports from an external agency (Explain) which collates and triangulates the views of Customers from all engagement activities, and provides recommendations for action.

The sub-groups met monthly throughout the year (except where interrupted by weather events which required NPg to focus on delivery for Customers) so that ISG Members could observe progress in the following areas:

- That the commitments made in the ED2 business plan to stakeholders are being upheld.
- That stakeholder voice is provided the opportunity to influence the prioritisation, variation and delivery of these commitments.
- That emerging stakeholder priorities can be assessed and recommendations can be made as to how and when they should be addressed in annual business plans or future price controls, aligning with existing processes.

The BPEG meetings provide windows for the ISG to scrutinise the company's delivery of the commitments in its business plan, to assess and report on the quality and scope of the Company's stakeholder engagement, and the extent to which its findings were reflected in the Company's work. Overall we found the BPEG process helpful, although there were variances in terms of how quickly each of the groups found their feet and established effective ways of working. As a result a "BPEG reset" activity was undertaken by NPg at the end of the year to consolidate learnings and reaffirm a singular approach, and we look forward to these groups operating more effectively throughout 24/25, by demonstrating even more clearly how stakeholder insights are part of NPg's decision-making processes.

The following section contains insights to the work of each of the BPEG sub-groups.

2.1 Energy Futures

We have observed the following:

1. Separation of the single Energy Futures BPEG into 3 "channels" focused on connections, local planning and flexibility. This division has helped the Energy Futures group focus its discussions on tracking engagement activity in each area and feeding lessons learned back into the process. We do not consider that feedback loop to be fully embedded as yet, but we have witnessed good progress with improved monitoring and discussion.

2. In the area of Connections, the BPEG approach has helped NPg respond to the emerging issue of connection queues. This started with rolling out flexible connections as a result of the Access Significant Code Review (SCR) at the start of the year, and rapidly became a forum for coordinating engagement around transmission congestion and queue management.
3. On local planning, the Group has become a forum to coordinate and disseminate results from the growing volume of engagement with local authorities, housing associations, EV charge point operators, major industrial firms in the region, Net Zero Hubs and others, particularly as the local planning team has ramped up its activity. This has been fed into NPg's key planning outputs, namely the Distribution Future Energy Scenarios (DFES), Distribution Network Options Assessment (DNOA) and Network Development Plan (NDP). This Group has also been coordinating NPg's growing range of activities on open data and the open data portal it has built in partnership with Open Innovation and Brave & Heart. The Group is aware of early developments around the establishment of Regional Energy Strategic Planners (RESPs) and will be monitoring developments throughout 24/25. Overall, establishing the Local Planning Group has led to a significant increase in NPg's capability to interact with key stakeholders in the region. Feedback from several stakeholders suggests that this has been much appreciated. NPg's work on the open data portal (led by this Group but supported by many others across NPg) has also made strong progress over the year.
4. The Flexibility channel has been increasing engagement with flex service providers in the region, both through bilateral meetings and via mechanisms such as a regular flex newsletter, as well as numerous webinars. NPg signed up to the Piclo platform and ran its first flex tender through the platform in the Autumn and its second in the Spring. It is now planning to run 3 tenders per annum, and aims to be able to move to support more frequent (including potentially day ahead) flex auctions by end of 2024. We observe that the volumes of flex needing to be procured by NPg are small compared to some other DNOs but that there is significant value in the delivery of flexible connections and the DSO function as a whole. We will be keen to see whether the Ofgem process for evaluating the performance of DNOs DSO functions takes account of the different ways in which DNOs are delivering value in this area.
5. This Group also tracks engagement via the Community DSO innovation (Network Innovation Competition) project. That has been growing this year, and should be closing off its first tender for community consortia to run trials within the programme.

Overall, we believe that NPg has significantly enhanced its engagement efforts compared to previous years. As a result we have seen the organisation stretched at times as resources haven't simultaneously matched the external demand for engagement, but this should correct itself as recruitment continues to bolster capacity.

2.2 Resilience BPEG

Resilience BPEG meetings were held ten times throughout the year on an approximately monthly timetable, flexing around urgent business needs.

Much of the scope of the Resilience BPEG Group is related to items defined by the regulatory contract. Accordingly the early part of 2023/24 was occupied with turning the original business plan submission, and its funding from the regulatory determination, into a deliverable plan for the rest of 2023 and for the following four years of the five-year price review period. This planning is not trivial since Northern Powergrid needs to reconcile the necessary outputs and deliverables with the actual funding allowed by Ofgem.

The scope of the Group for 2023/24 included:

1. The overall health and resilience of NPg's network
2. Storm resilience

3. Improvements in the overall network performance, in terms of reducing the numbers of Customer interruptions and Customer minutes lost
4. Climate change/climate resilience
5. Improvements for “worst served Customers”
6. The Boston Spa Voltage Optimisation project
7. The Micro resilience initiative

Monthly meetings took the items listed above as a standing agenda, as well as a routine review of all the stakeholder engagement feedback and project initiatives reported to the wider NPG business.

Items 1 and 3, and to some extent 4, were the subject of extensive stakeholder consultation in the planning of NPG’s ED2 submission. Apart from some necessary replanning to accommodate the actual regulatory output and allowances, the scope for further interaction with stakeholders in 2023/24 has been limited to NPG’s transparent explanation of its investment programme.

Storm Arwen occurred after the ED business plan had been submitted, but its effects were clearly felt on NPG (and its Customers) and highlighted the need for improvements to be included in all NPG’s plans. To the extent there are programmes of work to improve storm performance, these have been established by responding to Ofgem’s formal Storm Arwen Price Review Re-opener. This is an area where stakeholder views and input need to be specifically accommodated.

The Ofgem “worst served Customers” (i.e. 5 above) is a programme defined by specific metrics, so the scope is fairly tightly circumscribed by Ofgem’s rules.

The remaining standing items (6 & 7 above) are Boston Spa and Micro-resilience. NPG committed to these two projects in its business plan. As such, stakeholder engagement is targeted and specific to the Customers and other stakeholders directly affected by the projects, although NPG does have an obligation to engage with wider industry stakeholders on them.

Observations, Challenges and Support from the ISG and outlook for 2024/25

1 The overall health and resilience of NPG’s network

Given so much of this is defined in Ofgem’s rules, and also subject Ofgem’s scrutiny on delivery, the ISG’s challenge has been focussed on the area of transparency of the plan for stakeholders. As this is the first year of this regulatory period, and the plan is fixed as an outcome of the regulatory process, the key output will be the formal regulatory report on investment performance and outputs in September 2024. The ISG expects that NPG will accompany this with sufficient, and sufficiently simple, stakeholder information to help its stakeholders understand how such a large portion of NPG’s income (i.e. Customers’ bills) is being spent. In addition the ISG expects that NPG will continually inform its stakeholders as to its ongoing operational effectiveness.

2 Storm resilience

The ISG reported last year (22/23) on its scrutiny of NPG’s response to Storm Arwen. During the course of this year (23/24) NPG had to submit its proposals for storm resilience improvements to Ofgem, as part of the “Storm Arwen Price Review Reopener”, in January 2024.

The ISG noted that NPG was using Customer experience feedback collected at the time of Storm Arwen (November 2021), and subsequently from key stakeholders

involved in local resilience, such as other utilities and local authorities. NPg explained their investment and creation of other plans to a subset of ISG Members prior to the Ofgem submission. The ISG was content with the method overall, but did suggest that as some of the weightings in the methodology, such as those associated with vulnerable Customers, were arbitrary and it would have been good to see more sensitivity analysis supporting the final submission. The ISG also recommended that the area of determining investments, based on several criteria, in cases like this should be amenable to Artificial Intelligence (AI) or machine learning, and that NPg should consider this in the near term.

The ISG expects to be scrutinising the investment and other business adaptations following Ofgem's determination of the submission later in 2024.

3 Improvements in the overall network performance, in terms of reducing the numbers of Customer interruptions and Customer minutes lost

NPg is subject to a complex financial incentive arrangement in relation to Customer interruptions (CIs) and Customer minutes lost (CMLs). Ofgem's operation of this incentive includes substantial benchmarking of DNOs' performance. From this information it had become obvious that NPg had fallen behind in the deployment of automation on its 11kV and 20kV networks compared to other DNOs. The ISG understands the quite reasonable basis for the performance gap opening up over history, but agrees with NPg (and Ofgem) that it needs to be closed.

Given the specialist and complex nature of improvements here, the ISG has asked for, and received, detailed explanations of all the metrics involved, the implications for these (including on Customer experience), and the details of the investment programme. The ISG has also satisfied itself that the programme is appropriately informed by relevant stakeholder engagement in the development of the final investment plan post the ED2 determination; particularly that key local stakeholders views such as utilities and local authorities have been taken into account.

The ISG is continuing to monitor delivery of the investment, and will look to see that that the expected improvements in CIs and CMLs are delivered.

4 Climate change/climate resilience

The nature of this challenge is quite similar to (1) above in that NPg's well justified assumptions about climate change and its effects and mitigations were baked into its business plan in order that the plan should then be delivered. The ISG has noted NPg's continuing engagement with relevant stakeholders, particularly institutional and government bodies, in respect of the emerging nature of climate change threats, and local stakeholders regarding the mitigations being deployed. The ISG has noted that because Ofgem declined to fund additional flood defences in NPg's business plan, NPg will not be creating new flood defences at any currently unprotected substations. The ISG also notes that NPg had already invested to accepted industry standard for flood defences, and that therefore current standards do not require any additional defences.

5 Improvements for "worst served Customers"

The definition of worst served Customers relates to the number of interruptions to supply suffered over a rolling period. As faults are effectively random events, the determination of individual Customers defined as "worst served" changes over time depending on the incidence of network faults. NPg submitted a funding proposal to Ofgem as part of its business plan for the ED2 period. Once the funding was granted, NPg needed to identify the Customers who were defined at that point as "worst served", and design the network improvements to permanently remove those Customers from the worst served category. That design process has occupied most of 2023/24, and NPg is moving into the delivery phase. The ISG will be monitoring the effectiveness of the programme.

The ISG encouraged NPg to use all the Customer feedback from storms, particularly Storm Arwen, as an input to the design process.

6 The Boston Spa Voltage Optimisation project

This project was in design, build and testing during 2023/24. The ISG was invited to comment on the material used by the project with affected Customers early in 2023. As the project moves into full operation, NPg will be engaging with the affected Customers over the life of the project. Again, the ISG will both review the material and intends to provide oversight of the Customer interaction during full implementation in 2024.

7 The Micro resilience initiative

Although a standing item, this project is still in the design phase, and has not yet been subject to detailed discussion.

2.3 Meeting Customers' Needs (MCN)

Monthly MCN meetings were held throughout the year with the exception of a couple of occasions where they were, in our view, correctly cancelled to allow NPg to focus on front line Customer services during severe weather conditions.

By the start of the year the priorities for the group had been identified – these were based on key 2023 allocated outputs for ED2, feedback from stakeholder insights, and areas for improvement identified in NPg's analysis of its failings during Storm Arwen. These priorities were approved by the senior management group and reported on a regular basis.

Standing items at the meetings included: engagement routes; communication channels; innovation and Customer insights

Topics discussed included:

- The appropriateness of the vulnerability matrix for planned and unplanned power cuts and the related reactive and proactive responses from NPg
- Customer Satisfaction scores and tracking where satisfaction levels were changing
- The roll out of "Customer First" Training across all departments, and vulnerability refresher training becoming part of annual training updates
- Reviews of the quarterly Insights Report
- Trialling new methods to engage with Customers and embedding those that are proving valuable
- Applying Social Return on Investment (SROI) metrics
- How to improve Customer Satisfaction in areas where scores have dropped
- Design of Customer surveys and research partnerships to be more efficient in collecting answers to key questions across all priority areas for the team
- Low Carbon Technology advice programme

Observations, Challenges and Support from the ISG

There is good sharing of ideas and openness amongst Members of this Group. Perhaps understandably, given their responsibilities for Customer Service and regular interaction and engagement with Customers, including those identified as vulnerable and eligible for Priority Services Membership (PSM).

A recent reorganisation and amended reporting lines will better embed delivery of programmes addressing fuel poverty and vulnerability within Customer Services.

NPg has seen improvements to Customer Satisfaction scores relating to domestic connections following staff upskilling, streamlining processes and implementing technology to reduce the time it takes to provide Customers with quotations for connections.

Sustaining high standards across all areas of Customer Service is a challenge, but by rolling out the “Power of 10” approach across the company, NPg is seeking to ensure the very best service to all stakeholders and Customers. The outcomes of this initiative will be explored in the coming year to understand what has made most difference and how this can be sustained.

The ISG encouraged NPg to explore a 4 hour response time for PSM Customers during power cuts (current Ofgem standard is 6 hours for restoration) before compensation payments would be made.

The SROI methodology is now being applied across all investment areas, not just Customer Service/vulnerability programmes. The ISG has welcomed this development but any outcomes are still to be seen, and these will be explored in the coming year.

The ISG has sought to ensure that stakeholder and Customer insights are used in decision making processes. This needs further development as although it has been evident in these BPEG meetings, it is not yet formally reported on.

NPg has wisely sought to trial different approaches to the provision of advice on low carbon technologies to households at risk of being left behind, before rolling out an advice service more widely. They have commissioned work that has created personas that can be used to identify the barriers to take up, and how to address these. Clearly there are a number of areas of impact including; changing policy decisions, the cost-of-living crisis, lack of awareness and trust in unfamiliar products, disruption and cost of appliances and uncertain running costs, all of which need to be addressed for all Customers.

As part of its MCN work, the ISG also attends the refreshed Social Issues Expert Group, which was retitled “Northern Inclusive Energy Group” (NIEG) after consultation with its Members. This Group meets on a quarterly basis and its remit has changed to one of strategic policy guidance and challenge relating to Customers in vulnerable situations.

Topics and issues addressed this year mirrored many of the topics addressed in the BPEG meetings but also allowed for discussion on the wider economic, social and energy sector challenges and issues.

Discussions have sought to inform and improve NPg’s working relationships with partners by; exploring new partnerships, anticipating future priorities and demand on services, identifying challenges facing vulnerable Customers and understanding how NPg can play its role in advocating for change whilst shaping its programmes to demonstrate leadership and ambition.

In the coming year the NIEG, as suggested by the ISG, will focus initially on innovation and collaboration and will visit the Northern Energy Research Centre in Gateshead where NPg partners with other utilities, companies, charities and academics to test technologies and new approaches to support energy networks for the future.

‘Stronger Together’ and ‘Partners Together’

The ISG also attends engagement events which bring together NPg’s stakeholders interested in social outcomes and its regular delivery partners meetings where charities and other frontline service delivery managers come together to share their experiences and encourage collaboration. This includes cross referral, efficiency in delivering NPg’s

targets of assisting households in fuel poverty and risk of being left behind in the transition to low carbon energy networks.

ISG attendance at these groups allows us to observe how NPg engages with key stakeholders, which has enabled us to better understand changing priorities, working relationships between NPg and front-line delivery agencies, as well as ensuring that the insights gained from the engagement flow through to the BPEG and are used in shaping future delivery and enabling improvements to delivery.

Contractual relationships now seem to be agreed and NPg is monitoring closely any delivery issues being experienced by its frontline partners.

Bringing partners together who have been competing for contracts and are understandably wary of sharing some of their data and knowledge has been handled sensitively. By seeking to standardise data feedback and reporting, NPg will be able to manage its programmes more efficiently but care needs to be taken to ensure partners do not face unexpected and burdensome reporting and administrative tasks.

Wider collaboration with other utilities has been explored and encouraged by the ISG, and in particular opportunities to work with Northern Gas Networks to develop joint partnerships and programmes across their shared region.

The outcomes of this work will be shared with stakeholders through NPg's annual Vulnerability Report which was being prepared at the time of writing the ISG report. NPg should ensure this is shared widely and seek feedback on whether stakeholders feel their views have been fully reflected and acted on.

2.4 Our People, Our Communities (OPOC)

The themes considered throughout the year include the regionality dimension (including the work of NPG's delivery area business units within Field Operations), people, and a number of wider key business plan commitments - such as the local funding delivered alongside significant projects in areas.

Over the course of the year the organisation has significantly upped its game on a number of areas, not least piloting a new framework for ensuring it can secure community buy-in and meaningful additional benefits when causing major or significant localised disruption during network investment schemes. However, because time has been taken to develop a systematic framework there has yet to be wider roll out, and this demonstrates one of the challenges of implementing significant change to business processes on commencement of a new business plan period.

In the area of people, despite the ongoing engagement of the Company's change function, it has struggled to mobilise its new permanent Leadership Team in this area. The impact of Customer insights, specifically how young people view NPg as a potential employer, was some of the starkest feedback during ED2 development and the challenges posed, including the need to make meaningful progress on EDI, will require significant ongoing focus.

Overall, OPOC evidences significant change in the business since the laying of the ED2 business plan, and the willingness of colleagues across the business to work in Customers' and wider communities' interests. However, they are constrained by the Company's capabilities at changing its practices and adapting to the external environment. Despite the support from the Regional Engagement function, the degree to which other business areas take responsibility for acting on Customer insights and delivering their business plan commitments is mixed and requires improvement. We observe that many of the field operations teams demonstrate acting in the Customer interest extremely seriously and would like to see the same degree of commitment across the Company.

3 DRP Sub-Committee Report

This section covers the work of the independent Northern Powergrid Distribution System Operations (DSO) Review Panel (DRP) from its inauguration in August 2023 through to 31st March 2024

The DRP has been established to fulfil NPG's DSO strategy initiative 3.33, which included a commitment to making its decisions transparent via a stakeholder panel which could comment on, and challenge, major investment decisions and decision-making processes. Its purpose is to provide independent scrutiny and challenge of the decision-making process and the associated outcomes to ensure that decisions on the selection between flexible and traditional asset-based solutions are in line with published policies; and that the selections are just and inclusive so that no Customers are left behind.

Since the launch of the DRP in August 2023, main activities have included recruiting Members for the panel, mobilisation, establishing ways of working and reviewing the key steps in the Flexibility First Decision Making Framework.

Following the appointment of Jo Coleman as Chair of the panel, existing ISG Members Graham Oates and Mike Kay were appointed as DRP Panel Members given their skills in the areas of network engineering, flexibility and data. Open recruitment for additional Members utilising a recruitment consultancy commenced shortly afterwards and three additional Members; Claire Addison, David Lynch and George Day, were appointed in December 2023. They bring expertise in flexibility procurement and regulation, fuel poor households and vulnerable Customers, network regulation and whole systems thinking.

NPG is in the early stages of establishing and embedding Flexibility First decision making, having held its first significant tender round in Autumn 2023 and its second in the Spring. Considerable effort has gone into documenting processes and communicating them to stakeholders.

Review of the Flexibility First Decision Making Framework has not identified any major concerns, but the DRP considers that there are opportunities to increase the clarity and transparency of the processes within it and to assist flexibility service providers and other stakeholders by making more of the raw data available publicly.

Specific recommendations are:

1. NPG should share as much data as possible that could impact the plans of flexibility service providers. One example of this is asset health data. Although the Network Development Plan will include all asset health interventions planned, the DRP considers that stakeholders could derive more value in accessing and interpreting the raw data themselves and hence would benefit from seeing a heat map of all health indices.

2. The Flexibility First Code of Practice (CoP) is a relatively high-level document. The steps within it are further detailed in a variety of places (e.g. the DNOA methodology) such that it is quite difficult to piece together the full details. The DRP recommends that a mapping of the hierarchy and relationships between the various CoPs and methodologies is produced (possibly through an update to the Asset Serviceability CoP) and published.

In addition to its detailed consideration of the application of NPG's Flexibility First policy and, as part of broader ISG stakeholder engagement activities, DRP Members have observed and provided feedback on relevant external engagement webinars, including Transparency in Network Planning, 2023 DFES and Flexibility Strategy 2024.

A detailed report on DRP activities was submitted to Ofgem on 30th April alongside NPG's Year 1 [DSO report](#) and can be found [here](#).

4 ISG Focus areas for 2024/2025

Whilst we have seen NPg achieve some success under Ofgem's regulatory mechanisms for innovation we are yet to see how NPg is truly embedding innovation within its business, and would like to see this evidenced more robustly through the BPEG process. At the time of writing the Head of Innovation post has been vacant for an extended period (despite NPg's attempts to fill it) and this may be a contributory factor. With a suitable candidate now identified we hope to see significant progress in this area with a review of what innovation has delivered to benefit Customers, and what should be a focus for NPg in the coming year.

There has been some progress in the area of Data and Digitisation during the course of the year. However, this represents a deep underlying cost within the ED2 business plan and we would like to see both more evidence and progress in this area during the next twelve months.

In the area of reporting we are now using a new reporting framework to better track NPg's 83 business plan commitments. This was requested by the ISG as we wanted a more focussed, consolidated document rather than relying on broader reporting designed for use by the NPg Executive. Early signs are that the new report will be a useful and important tool for the ISG, but may require refinements throughout the year to enable us to scrutinise business plan commitments even more closely as trends develop.

The refresh of the Citizen's Panel should bring new perspectives and broader inputs to this particular stakeholder engagement channel. However, whether the mix of established, new for the year and new for single meeting attendees will work or not remains to be seen. The ISG considers the Citizen's Panel to be a good engagement channel and whilst we welcome the refresh, we will be looking to see whether the previously witnessed smooth working of the panel continues.

At the time of writing NPg is awaiting Ofgem's response to their Storm Arwen reopener submission. Once that is received the ISG will be particularly interested in NPg's system reinforcement plans.

Even despite some growing pains during 23/24, the BPEG process has been a key enabler for the ISG to scrutinise NPg's delivery against its business plan commitments. Given that the "BPEG reset" took place at the end of the year, we will be keen to ensure that the 24/25 version builds on the strengths of the process to date whilst resolving some of the identified weaknesses and, in particular, the ability of the BPEG Groups to consider and act upon independent Insight report recommendations.

Finally, we have been very encouraged by the significant amount of stakeholder engagement that we have witnessed. We are seeing examples of how NPg is responding to feedback in order to demonstrate a "You said, we did" approach thereby showing active listening and are eager to see more. We look forward to seeing this develop as part of our recommendations over the next reporting period.

Annexes

A1 Independent Stakeholder Group Terms of Reference June 2024

1. Background

Northern Powergrid has established an independent 'Independent Stakeholder Group'. This group was formed in response to Ofgem's requirements as part of the RII0-2 price review process, and its role is to represent the interests of the Customers and communities that Northern Powergrid serves. The ISG challenged the company to ensure that its developing plan for ED2 properly reflected Customers' interests and Ofgem's guidance on priorities for the price review. The company has now decided to keep the Independent Stakeholder Group in place during the whole of the ED2 period (2023-28) to enable it to scrutinize and report publicly on the company's delivery of the commitments in its business plan.

2. Role

- a. The Independent Stakeholder Group ("ISG") will operate at arm's-length, independent from both the Company and Ofgem, to scrutinize and provide challenge to the Company on the delivery of its business plan commitments for ED2 and report its own views on progress.
- b. The ISG will assess and report on the quality and scope of the Company's stakeholder engagement, and the extent to which its findings are reflected in the Company's work.

3. Duties and scope

- a. In carrying out its purpose of providing challenge to the Company's delivery of its business plan, the ISG will focus on areas where there is the need to improve Customer outcomes, and where it has the expertise to scrutinise and challenge.
- b. The ISG will consider the following areas (including but not limited to):
 - i. the Company's delivery of the commitments set out in its business plan for ED2 (including the commitment to Net Zero);
 - ii. the Company's progress in addressing the issues highlighted by recent storms;
 - iii. the quality of stakeholder engagement the Company undertakes to inform its work;
 - iv. the Company's appropriate recognition of the changing energy and social context, and the associated flexing of its year-on-year plans;
 - v. the approach and support that the Company provides to vulnerable Customers;
 - vi. the Company's approach to developing the Systems Operations business and working with others to maximise the benefits for Customers of the opportunities presented by more flexible use of the energy system;

- vii. the Company's progress in establishing itself as an outward looking 'anchor institution' in the communities it serves.

This list will be kept under review and amended as appropriate.

4. Outputs and deliverables

- a. The primary output from the ISG will be an annual public report on the Company's progress in delivering the commitments in its business plan.
- b. The ISG may also publish other reports on aspects of the company's performance from time to time.
- c. The ISG will observe the work of the Company's Business Plan Engagement Group (and its subgroups). It will provide feedback to the company on the working of this group with the aim of improving its effectiveness at keeping Customers' needs at the centre of decision making in the Company.

The ISG will also:

- d. meet regularly (at a frequency to be decided by the chair), and produce outputs from its meetings including minutes and actions for each meeting;
- e. receive input from other advisory groups established by the Company, such as the Social Issues Expert Group, the Stakeholder Panel, the Citizens Panel, the Future Fairness Panel, the Community Energy Stakeholder Panel, the Community Energy Forum, and the Science and Technology Advisory Panel.
- f. collaborate with any ISGs maintained by other DNOs, and with Ofgem, Customer representatives and other stakeholders.

5. Chair

- a. The ISG has an independent Chair, whose role will include leading discussions and chairing meetings of the ISG. The Chair must act independently and not as a representative of a particular organisation or group of Customers.
- b. The Chair will be the principal representative of the group in contacts with other parties (Including the Company and Ofgem).
- c. The Chair is responsible for ensuring that members of the ISG have a good understanding of the main obligations, issues and priorities required to carry out their role as members of the ISG.
- d. The Chair should seek to facilitate open, informed discussion and consideration of issues set out in paragraph 3 by the ISG.

6. Membership

- a. The ISG will be constituted in such a way that members between them have the range of knowledge, skills, and expertise necessary to scrutinise and challenge the Company's delivery of the commitments in its plan in all the areas set out in Section 3 of these Terms of Reference.
- b. Individual members will provide expertise relating to their discipline to the ISG, contributing their views as individuals and not seeking to represent any group, organisation or constituency other than the interests of current and future consumers.

- c. Members must ensure their contributions enable the ISG to function in a collaborative and cohesive manner.
- d. Members may be asked by the Chair to represent the ISG in meetings, including public open hearings in support of the Chair.
- e. Members must inform the Chair and Secretariat in advance if they are unable to attend any meeting.
- f. The Chair shall work with the Company to recruit members of the ISG. The Chair is responsible for notifying the Company if any member(s) of the ISG wishes to leave the ISG and for managing any such leavers whilst ensuring that the overall role of the ISG is not affected.
- g. A Member may be removed from the Group by the Chair, in consultation with the Company, if they have committed a serious breach of the standards of conduct laid down in the Terms of Reference.

7. Conduct of the CEG

- a. The independence of the ISG Chair and Members from the Company and Ofgem is essential. The ISG must scrutinise and challenge the delivery of the Company's business plan and, in doing so, seek to achieve the best possible outcomes for present and future consumers.
- b. The work of the ISG will be conducted in as transparent a manner as possible, without compromising either individual rights or the Company's commercially confidential information. The ISG will maintain webpages with an up-to-date record of its membership, Terms of Reference, and the progress of its work.
- c. The Chair and Members will observe the highest standards of integrity and independence and comply with the principles established by the committee on standards in public life (Nolan Principles — see A2).

All members must declare any conflicts of interest that may be relevant to their role as a member of the ISG. A conflicts of interest register will be maintained by the ISG and kept available for public scrutiny. Members must also declare any conflicts of interest at the start of any meeting of the ISG.

- d. Members of the ISG may receive commercially sensitive data or personal data relating to named individuals in connection with their role as ISG members. Members of the ISG must agree to keep all such information confidential and to abide by all laws, regulations and legislation in respect of such information (including the processing of any such information).
- e. Members of the ISG must agree to enter into any separate agreements with the Company in respect of confidentiality, intellectual property and/or data protection as the Company may reasonably require.

8. Resources and information

The Company will provide the ISG with the following information and resources to assist the ISG in carrying out its role: secretariat support, meeting facilities, etc. All relevant information regarding progress in delivering the business plan, and its background (e.g., relevant government policies, regulatory requirements; planning scenarios).

9. Meetings with the Company

The ISG will meet formally with the Company at least once every three months.

10. Quorum

Four members of the ISG including a designated Chair.

11. Variations to terms of reference

Any changes to these terms of reference must be agreed in writing by the Chair of the ISG and the Company. The terms of reference will be reviewed once a year.

12. Transparency

The ISG will have a webpage which will include:

- a. the membership of the ISG;
- b. a register of conflict of interests;
- c. the Terms of Reference; and
- d. a copy of all reports written by the ISG

13. Definitions

For the purposes of these Terms of Reference, the following terms have the following meanings:-

“Company” means Northern Powergrid (Northeast) Limited (company number: 02906593) and Northern Powergrid (Yorkshire) plc (company number: 04112320)

“Ofgem” means the Office of Gas and Electricity Markets.

A2 The Nolan Principles

The 7 principles of public life apply to anyone who works as a public officeholder.

The principles also apply to all those in other sectors that deliver public services, so it is appropriate that ISG members, who are appointed to represent the interests of Customers and communities, should adhere to them. They are:

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

A3 Biographies

Chris Murray MBE (Chair)

Chris's expertise stems from over 45 years of experience in the UK Energy sector where his remits covered Customer and Employee Engagement, Network Operations, Asset Management, Change and Stakeholder Management, Health and Safety, Gas and Electricity Transmission, Gas Distribution, Regulation and Commercial. In addition to being a 3-time CEO Chris has over 25 years of Non-Executive experience and is currently Chairman at Water Resources South East as well as holding Non-Executive Director positions at the Low Carbon Contracts Company and The Electricity Settlements Company. He is also a Trustee Board Member of the MS Society and the Leicestershire Hospice.

Graham Oakes

Graham has a PhD in Satellite Image Processing and a background in tech, working with firms such as Cisco, Intel, Skype and Sony. In 2013, he created Upside Energy, a tech platform for managing flexibility on the grid. Upside raised £10m of funding and grew to 35 staff by the end of 2018, at which point Graham stood down to focus on enabling people to participate in the Energy Transition. Upside was subsequently sold to Octopus Energy, where it now forms the basis for its KrakenFlex platform. Graham now supports a number of EnergyTech startups and works on local and municipal energy projects across UK and EU. He was a member of BEIS' Engineering Standards Review and Ofgem's Design Advisory Board for Half Hourly Settlement, and is currently a board member of FlexAssure, the ADE's code of conduct for demand response aggregators. His book Project Reviews, Assurance and Governance is published by Routledge.

Henri Murison

Henri brings his expertise on the importance of electricity infrastructure and the transition to Net Zero in the wider economy to the ISG. Chief Executive of the Northern Powerhouse Partnership, he works across the wider infrastructure agenda, education, skills and wider industrial policy to drive the agenda on how to close the North – South divide. He has led work on the role of decarbonisation in driving economic growth, specifically focused on energy sector. Previously, he advised a financial services business on their government and international regulation interest as well as having wider roles in the voluntary sector and as Cabinet Member for Quality of Life at Newcastle City Council.

Jenny Saunders

Jenny Saunders is an independent consultant with over 30 years working in the energy and charity sectors. Previously Chief Executive at National Energy Action, based in the North East but operational across the UK, Jenny is currently Chair of the Customer Engagement Group for NGN and has experience of Ofgem's enhanced stakeholder engagement process for RIIO2. She was a member of the Government's Fuel Poverty Committee from 2016 to 2022 and sat on the Advisory Group from 2018 to March 2023 to Innovate UK's £200m PFER programme. Jenny is a Non-Executive Director of Affordable Warmth Solutions which delivers heating and energy efficiency programmes. She has previously sat on a number of energy industry stakeholder groups including Northern Powergrid's Northern Inclusive Energy Group (former Social Issues Expert Group).

Mike Kay

Mike worked at Electricity North West for 38 years, the last eight of which he was Engineering and IT Director. He chaired the Distribution Code Review Panel for over a decade, and was a member of the Grid Code Review Panel for eighteen years. Since leaving Electricity North West in 2015 he has worked as an independent consultant on a number of projects for the regulated electricity network industries in the UK and internationally. He is a member-elected trustee of the Electricity North West pension fund.

Jo Coleman OBE

Jo Coleman has over 30 years' experience in the energy industry, initially working in the oil and gas sector in Europe, the Middle East and Far East in roles spanning oil and gas field development, national energy planning, economics and business development. She has previously been an Observer to the Board of Shell UK and an independent member of the Government's Net Zero Innovation Board as well as chairing or being a member of numerous academic and sectoral Advisory Boards and Committees.

She is currently a Board Member of the British Geological Survey, and member of the EPSRC Supergen High Level Group and an ambassador to both the Clean Energy Ministerial Equality in Energy Initiative and POWERful Women. Executive roles have included Strategy Director at the Energy Technologies Institute and Director of whole Systems Analysis at the Energy Systems Catapult. Jo was awarded an OBE in 2018 for services to the energy sector and is a Chartered Engineer and Fellow of the IMechE.

Melanie Taylor (from 1st April 2024)

Melanie is the Founder of Just Strategy, a northern-based consultancy focussing on place-based, Customer-centric net zero transitions. She's a specialist in designing fair and inclusive sustainability strategy, services and Customer journeys; incorporating Customer insight and engagement, participatory governance, and Customer experience optimisation. She holds non-executive board positions on a range of organisations delivering a just climate transition, including Solutions for the Planet, the Yorkshire Climate Commission and the North East and Yorkshire Net Zero Hub.

Melanie draws on over 17 years of experience in leading energy and climate change programmes across the public sector and industry. Her career started in Local Government, where she led Climate Change and Energy for West Yorkshire Combined Authority. Subsequently, at KPMG, Melanie supported public sector clients to design and deliver complex and politically sensitive change programmes. Working in the utilities sector, she led stakeholder relations for Northern Gas Networks, and directed pioneering sector projects including the first Green Retail Bond and Customer Experience for Redcar Hydrogen Community.

Monica Collings (from 1st April 2024)

Monica Collings, award-winning former Chief Executive of retail energy supply challenger So Energy, played a pivotal role in the merger with ESB Energy in 2021. Before that, she led Vattenfall's UK retailer, and has enjoyed a diverse career spanning markets such as retail home improvement, property, and automotive. Having transitioned from executive roles, Monica now engages in a pluralistic approach, enjoying a portfolio of non-executive and strategic board advisory roles including Chairing the board at entech, Swarm. Monica is a fervent advocate for gender diversity in the workplace having served as the sole female Chief Executive leading a domestic energy supplier. In 2024, Monica will represent the UK as a delegate at the United Nations' 68th session of the Commission on the Status of Women.

[Independent Stakeholder Group – Register of Interests](#)

A4 Stakeholder Engagement events observed by the ISG

Date	ISG observed NPg engagement
2023	
06/06/2023	WEBINAR: Enabling Regional Decarbonisation of Road Transport Fleets
07/06/2023	Quarterly Cross Utility Forum
07/06/2023	WEBINAR: Northern Powergrid's Distribution System Operation - New Quarterly Update
21/06/2023	A deep dive into the DSO Assurance Panel
17/07/2023	WEBINAR: Delivering connections in the North East, Yorkshire and northern Lincolnshire
21/09/2022	Accelerating Decarbonisation in Yorkshire and the Northeast Conference
22/09/2022	A deep dive into NPg's Sustainability Strategy
12/10/2023	How to participate in Northern Powergrid's flexibility competitions
19/10/2023	Stronger Together - Partnership Event (Decarbonisation)
24/10/2023	WEBINAR: NPg, NGET, ESO Facilitating Connections
31/10/2023	Energy Innovation Summit
09/11/2023	WEBINAR: Northern Powergrid's Open Data Plan Workshop
2024	
09/01/2024	WEBINAR: Northern Powergrid's Open Data Plan Workshop
11/01/2024	Storm Arwen reopener - A deep dive into NPg's resilience matrix approach
23/01/2024	WEBINAR: Northern Powergrid - Flexibility Strategy Webinar
29/01/2024	WEBINAR: Accelerating Major Connections - Joint webinar with NGET and the ESO
30/01/2024	Strategic Innovation Technology Day
01/02/2024	A deep dive on the implementation of Oracle
01/02/2024	WEBINAR: Distribution Future Energy Scenarios 2023
04/03/2024	Quarterly Social Housing Roundtable

07/03/2024	Quarterly Northern Inclusive Energy Group
08/03/2024	Community Energy Online Training Session
11/03/2024	Quarterly Citizens Panel
13/03/2024	Regional Workshop - York and North Yorkshire
19/03/2024	Regional Workshop - Hull and Humber
21/03/2024	Net Zero for the North - Decarbonisation Conference
25/03/2024	WEBINAR: Northern Powergrid Flexibility Services - Spring Tender 2024
26/03/2024	Regional Workshop - Sheffield and South Yorkshire
27/03/2024	Stronger Together Forum
15/04/2024	WEBINAR: Northern Powergrid's Latest Network Development Plan (NDP)
17/04/2024	Regional Workshop - Middlesbrough and Teesside
18/04/2024	Regional Workshop - Newcastle and Northumberland
23/04/2024	WEBINAR: Accelerating Major Connections - Joint webinar with NGET and the ESO
24/04/2024	A deep dive into NPG's reliability targets (including worst served Customers)
30/04/2024	Cross Utility Forum
10/05/2024	A deep dive into the Common Evaluation Methodology (CEM) tool
15/05/2024	WEBINAR: Flexibility Products - A Deep Dive In Partnership With The ENA and Piclo

If you would like to pose any questions to the ISG or find out more about how it is helping to ensure Northern Powergrid's future plans reflect the needs of the Customers, stakeholders and the communities it serves, email

ceg@northernpowergrid.com