

Mr S McMahon
Director Price Controls - Ofgem
10 South Colonnade
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E14 4PU

30th April 2025

Dear Steve,

As the Independent Stakeholder Group for Northern Powergrid, we have reviewed the SLC50 submission by the company (Northern Powergrid) for 2023-24. We have assessed the contents and discussed it with the company and have agreed that we would submit a summary of our scrutiny and challenge to Ofgem.

From the 1st of April 2023 we saw the start of ED2 (Electricity Distribution 2) period which runs from 2023-2028, with this SLC50 document referring to the first year of delivery. We take responsibility for monitoring several areas of focus across the 83 customer commitments in the plan. This scrutiny has also raised some reflections on the regulatory construct, in particular the delays in mobilising a plan which are inherent to the way the control periods are managed. Furthermore, there are specific approaches to how performance targets are set through the plan-making process which are areas for improvement and refinement as we enter the ED3 period.

The company, including its President Phil Jones, have answered our questions and areas of concern through a robust scrutiny programme, and our discussions in the run up to and following the publishing of SLC50. Meeting us collectively in person in December 2024, Dr Jones was clear on reliability and availability that decisions in previous control periods to not invest in automation of the network were leading to worse results for customers (though this had avoided expenditure and costs to customers). The investment is now being made, and the ISG will be monitoring closely how the position improves and how quickly it does so over the coming years of the plan. In terms of the storm issues, we are mindful to assess performance in light of the realities of a changing climate and have also been separately assessing the Storm Arwen re-opener investment in this regard.

On safety, the company's performance metrics appear to be on track apart from on commitment 51 (For NPg to maintain its position as an industry-leading safety performer

delivering continued improvement by focusing on leading causes of injuries and continuing to reduce exposure to high-risk activities). In light of the plans to use the HSE Safety Climate Tool we can accept the company's continued high-level commitment but will be challenging hard to ensure that visible leadership of this agenda is provided from the most senior levels of the organisation. As an ISG, we recognise the critical role of employees as stakeholders in the business and will be seeking opportunities to observe discussions between management and trade unions on this and other questions related to the priorities of colleagues to ensure commitments made are being delivered upon (covered by commitment WR3).

The ISG has had significant focus on vulnerable customers, and our assessment is that NPg's performance is also overall high, with only VN5 behind against target (for NPg to work with partners to put in place initiatives that overcome barriers to the smart energy transition and support a socially inclusive transition to net zero, targeting 25,000 interventions). However, we would note that we are concerned that this target has been set as a regulatory aspiration rather than rooted in the evidence base gathered for the development of the ED2 business plan – the programme has advanced well from a standing start so was always likely to make less progress in year 1. The same is the case across stakeholder metrics for which the step up in continuing engagement has been significant and remarked upon in our annual report. This leaves us to wonder why annual targets are set on a linear trend when progress is actually likely to follow more of a shaped S curve. To set milestones which are not properly attuned to expected progress is to over promise to the end customer – and as this profiling was changed by the regulator and not the company, the challenge is to both parties to do better in ED3.

On communities, on CO1 (Deliver tailored social impact programmes for 50% of our major investment schemes) we welcome the progress by the business on delivering social value across all its schemes, but it is clear that major projects alone would have limited impact compared to a cross-organisation approach. We would regard the evolution of the business's delivery when faced with the detailed landscape as not a problem, but a positive. The business should see its commitments as a floor, not a ceiling, and the regulator should also take that view whenever possible.

On some of the document, we take a divergent view from the company on their progress, such as on WR4 related to improving the diversity of the workforce. DEI has been firmly established in the company, but the more detailed measures show progress on diversity of the company's workforce has not significantly shifted across the engineering specialisms in particular. The reporting of input and output change, rather than in outcomes, is an indication of the business in some areas lacking the willingness to acknowledge their problems openly in how they measure and report on progress.

In summary, the ISG of Northern Powergrid observes that the progress made by Northern Power Grid has been constrained by the regulatory construct providing for a standing start at mobilisation, and milestones which do not reflect the end destination. This does not negate that the company has a number of areas where it can and must improve in order to fulfil the business plan commitments it made to its customers and wider stakeholders.

Yours sincerely



Chris Murray MBE
Chair