Independent Stakeholder Group Terms of Reference

June 2026

1. Background:

In 2019 Northern Powergrid established a Customer Engagement Group which has now developed into an ‘Independent Stakeholder Group’ (ISG). All further references in this document will be to the ISG even if it was acting as the CEG at the time. This group was formed in response to Ofgem’s requirements as part of the RIIO-2 price review process, and its role is to represent the interests of the consumers and communities that Northern Powergrid serves. The ISG challenged the company to ensure that its developing plan for ED2 properly reflected consumer and stakeholder interests and Ofgem’s guidance on priorities for the price review. Once this was completed, there was no requirement from Ofgem to keep the ISG in place. However, the company decided to retain the ISG throughout 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. More recently Ofgem has re-mandated ISG’s as part of the ED3 process and updated its’ expectations of ISG’s. Those updated expectations are reflected in these Terms of Reference.

2. Role:

a. The ISG will operate at arm’s-length, independent from both the Company and Ofgem, to scrutinise and provide challenge to the Company both on the ongoing delivery of ED2 commitments and the development of its ED3 business plan and the delivery of ED3 commitments where consumers and stakeholders should be at the heart of the planning process, decision making and operational delivery.

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.

c. The ISG will produce an annual report and will maintain a log of its challenges, issues and recommendations to the Company.

3. Duties and scope:

a. In carrying out its purpose of providing challenge to the Company's delivery of its business plan (ED2) and development of its business plan (ED3), the ISG will focus on areas that impact consumers and stakeholders and will ensure that it has the expertise 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 and the development of its business plan for ED3, including the Company's commitment to Net Zero given that the Sector Specific Methodology decision (SSMD) for ED3 set an expectation that DNO's would take on an enhanced coordination role to support local net zero delivery;

ii. The Company's 10 year delivery strategy aligned to the ED3 business plan which should demonstrate that, beyond financing, the company is properly considering and planning for the required resources in terms of skilled labour, critical grid components and delivery capacity.

iii. the Company's ongoing progress in addressing the issues highlighted by storms;

iv. the quality of research and stakeholder engagement the Company undertakes to inform its work;

v. the Company's appropriate recognition of the changing energy and social context, and the associated flexing of its year-on-year plans;

vi. the Company's connections performance;

vii. the quality and ambition demonstrated in the company's environmental action plan;

viii. the approach and support that the Company provides to vulnerable customers including its vulnerability strategy;

ix. the Company's social return on investment (SROI) data in respect of activities where baseline funding is sought to address consumer vulnerability;

x. comparative data from other energy companies and from other relevant sectors that the ISG deems relevant;

xi. the Company's approach to system operation and working with others to maximise the benefits for customers of the opportunities presented by more flexible use of the energy system;

xii. 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. This report will also be presented to the Company's Board by the ISG Chair.

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) along with sub-groups involved in the development of the ED3 business plan. It will provide feedback to the company on the working of these groups with the aim of improving its effectiveness at keeping consumer and stakeholders needs at the centre of decision making in the Company.

The ISG will also:

meet regularly (at a frequency to be decided by the Chair), and produce outputs from its meetings including minutes and actions for each meeting;

d. receive input from other advisory groups established by the Company, such as the Stakeholder Panel, the Citizens Panel, Consumer Voices, Stronger Together Network, Focus for Future, Social Housing Roundtable, Low Carbon Technology Forum, and the Regional Workshops.

e. 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 and have the expertise to scrutinise the development of the Company's ED3 business plan ensuring that, at all times, the Company keeps the people of the North East, Yorkshire and North Lincolnshire at the heart of their thinking, planning and delivery.

b. Members will normally be appointed for a period of 5 years which can be varied by agreement between the Chair and the Company.

c. The Chair will work with the Company to appoint a Deputy Chair whose role will be to deputise for the Chair in the event that they are not available.

d. At least one member of the ISG should have the requisite skills in order for them to be a nominated "Consumer Champion."

e. 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.

f. Members must ensure their contributions enable the ISG to function in a collaborative and cohesive manner.

g. Members may be asked by the Chair to represent the ISG in meetings, including public open hearings in support of the Chair and Deputy Chair.

h. Members must inform the Chair and Secretariat in advance if they are unable to attend any meeting.

i. 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.

j. 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 ISG:

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 ED2 business plan and development of the ED3 business plan. In doing so, the ISG should seek to achieve the best possible outcomes for present and future consumers and stakeholders.

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 attachment).

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 and developing its ED2 and ED3 business plans, 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.

The Nolan Principles

The seven 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.