

**Minutes and actions of the National Grid Electricity and Gas Transmission
Independent User Group (User Group) Meeting 18**

Meeting Number:	NG-UG18
Meeting Date:	8 th March 2021
Location:	Microsoft Teams
Start Time:	9:30 – 15:00
Attendees:	<p>Chair: Trisha McAuley (TM) Technical Secretary: Amelia Affum (AA), Charon Balrey (CBa)</p> <p>Members:</p> <ul style="list-style-type: none"> • Roz Bulleid (RB), Green Alliance • Julie Cox (JC), Energy UK • Barry Hatton (BH), UKPN • Joe Howe (JH), University of Chester • Tom Knowland (TKn), Leeds City Council • Denise Massey (DM), Energy Innovation Centre • Zoe McLeod (ZM), Independent Consumer Advocate • Eddie Proffitt (EP), Major Energy Users Council • Ben Watts (BW), ADE • Campbell Murdoch (CM), Total • Will Webster (WW), Oil and Gas UK • Andy Paine (AP), Vattenfall <p>National Grid Representatives:</p> <ul style="list-style-type: none"> • Chris Bennett (CB), National Grid Director of UK Regulation • Tony Nixon (TN), National Grid Head of Gas Transmission Regulation • Mark Brackley (MB), National Grid Head of Electricity Transmission Regulation <p>Invitee:</p> <p>For agenda item 2 – ET business update</p> <ul style="list-style-type: none"> • Hedd Roberts (HR), National Grid Electricity Transmission Head of Customer and Commercial <p>For agenda item 3 – IUG Framework</p> <ul style="list-style-type: none"> • Ivo Spreewenberg (IS), National Grid Electricity Transmission Regulation Strategy Manager <p>For agenda item 5 – stakeholder engagement</p> <ul style="list-style-type: none"> • Jenny Pemberton (JP), National Grid Gas Transmission Customer & Stakeholder Strategy Manager • Gary Stokes (GS), National Grid Electricity Transmission Stakeholder Engagement Manager
Apologies:	<p>Members</p> <ul style="list-style-type: none"> • Julian Leslie (JL), National Grid, Electricity System Operator • Paul Denniff (PD), SGN <p>National Grid</p> <ul style="list-style-type: none"> • Alice Delahunty (AD), National Grid President of Electricity Transmission • Phil Sheppard (PS), National Grid Director of Gas Transmission Owner

Minutes

Agenda Reference	Minutes	Action Reference and Owner
1.	<p>Welcome from the Chair</p> <p>TM welcomed everyone to the meeting and went through the apologies. TK announced that he would be stepping down from his role on the Group due to changes at Leeds City Council. CBa also announced her move to the Electricity System Operator and last meeting as Gas Technical Secretary. TM thanked them both for their support and contributions to the Group and wished them all the best for the future.</p> <p>The minutes of the previous minutes were approved for accuracy and all actions were closed.</p>	
2.	<p>NGET Business Update</p> <p>HR provided an Electricity Transmission business update covering performance, stakeholder and culture.</p> <p>Performance - HR updated the User Group on recent networks events which had taken place at Hutton (where there was a current transformer failure), Keadby (where there was a circuit breaker failure) and at Western Link southern (where there was an onshore cable failure). He also spoke the Group on SmartWires devices and the challenges NGET was experiencing in getting them commissioned from a technology and technical point of view.</p> <p>HR reported that despite the network issues, the Network Output measures (NOMs) i.e. the volume of asset replacements that need to be completed, were well above the target for the year at 864 against a target of 780. HR also talked about the investment plan for RIIO 2 and explained that the timing for the actioning of the plan meant that it had to be based on the proposals that Ofgem had set out in the Draft Determination in the first instance. This was revised subsequently further to Final Determination but meant that the plan for year one was low. HR however explained that there was an uptake in the following years from year two to five to catch up.</p> <p>Stakeholder - HR reported the performance against the customer satisfaction score where the business achieved a score of 8.39 against a target of 8.25, in spite of it being a year of much uncertainty due to COVID. HR also talked about the environmental discretionary reward and the challenges around the assessment as well as the challenges with understanding what Ofgem was looking for. He reported that the business was, therefore, pleased to get a score of 96% this year as it was a considerable step change from last year where they achieved a score of 63%. He commented that the particular areas of improvement were around how the business had described their work on whole system and also the innovative developments of the network of which SmartWires would have played a big part.</p>	

He added that the Scottish Transmission Owners had also performed well and thus, they were expecting a three-way equal share of a six-million-pound incentive pot.

Culture - HR reported on the preparations underway between the regulations team and the Electricity Transmission business, to help staff understand the requirements of the RIIO 2 deal in readiness for delivery. He also talked about the £8.12 million of funding the business had won through the Network Innovation Competition for the retrofit insulator cross arms. This project was about replacing the steel cross arms on the tower with insulating material to increase the clearance available, thereby, allowing for the engineers to operate on towers at higher voltages without disruption. He commented that this project was considered as very important as it supported the journey towards net zero by allowing for the increase of flows on the network in a way that minimises the impact on communities.

HR also touched on employee engagement and the improvements of +4% on engagement and +3% on enablement, that had been achieved despite it being a challenging period. He added that this was down to the immense level of support the leadership had been providing to all staff to ensure their safety and wellbeing.

On the Competition and Markets Authority (CMA) appeal, CB referred to NG's response to the Final Determination which had been published last week. He explained that from a customer and stakeholder point of view, NGET/NGG had accepted most of the package because of the considerable movement between draft and final determination. He stated, however, that they were going to appeal on a couple of technical items, namely on the cost of equity, where the belief is that Ofgem had gone too low, and also the out-performance wedge. CB assured, however, that it would not stop NGG/NGET from delivering what they have committed to in their business plans.

Q & A

A question was asked as to the timing for the RIIO T1 close out, how that would interact with RIIO 2 deliverables and how the User Group would receive updates. CB responded by talking about the timeline relating to the formal process with Ofgem for submitting the end of year regulatory reporting pack which is at the end of July. He explained that this would have both the 20/21 performance along with a view of performance across the 8-year price control period and would be presented to the Group as part of the September agenda. This would, then, be followed by a close out process with Ofgem, the timetable of which was still being decided with Ofgem.

WW referred to the various consultations that Ofgem had published on the guidance documents for a number of areas including innovation, Network Asset Risk Measures (NARMS) data submission and handbook and net zero and wondered how they fitted into the reporting framework for RIIO T2. MB proposed to the Group, that due to the level of detail contained within these documents, the Regulations team could highlight any aspects pertaining to the User Group where action may be required on their part.

UG18-01

MB to highlight any references to the IUG in the Ofgem consultation guidance documents

3.	<p>NGGT Business Update</p> <p>TN provided an update on the Gas Transmission (GT) business performance.</p> <p>Performance - GT are on track to complete their asset health programmes and deliver their network output measures despite COVID. Various measures have been put in place to ensure work activities can continue including wellbeing support during the pandemic. This has been reflected in a recent employee survey where a wellbeing of 76% was achieved. GT have been able to cope with high demand days through January, testament to asset health work, meaning robust and available assets, and improved reliability on the network.</p> <p>TN updated on environment, in that, there was a low compression record from 7th -18th August last year with no compression being used. GT have also commissioned their first biomethane site to connect to the network.</p> <p>Looking forward, there is a lot of work to enable for RIIO-2, especially with the increase in Asset Health work in year 1. Performance reporting and tracking the right activities is another key enabler. Across ET and GT there are large IT investments in financial reporting processes to bring all data and financial systems together, resulting in improved regulatory reporting requirements.</p> <p>Stakeholder - For stakeholder there had been pleasing scores. GT are on a trajectory for customer satisfaction score of 8.19 against a target 8.2, and stakeholder satisfaction of 8.37 against a target of 8.5 target for this year. There has been good improvement, but GT are slightly behind where they were anticipating being.</p> <p>TN explained that charging has been an issue this year and going forward, changes to charging mechanisms have been made based on impacts going forward. Early signs indicate this is improving forecasting to align with new ways the market is operating, and the right revenues are being recovered.</p> <p>Culture – TN updated on safety performance which had been good and highlighted by 1000 days without a lost time injury (LTI) at Bacton and 15 years injury free at the three pipeline maintenance centre depots. Wider in GT, there has been 1 LTI in June 2020, which was a sprained ankle dismounting from a ladder.</p> <p>TN reported Danielle Stewart had been given a TechWomen100 2020 award for work in net zero and there were a number of other nominees from GT.</p> <p>In innovation, TN reminded that GT had been successful in a Network Innovation Competition for the Futuregrid project with £9.1m awarded to take existing assets to Spadeadam and build a transmission system to test hydrogen, to be able to demonstrate the network is capable of transporting hydrogen in the future.</p>	

TN provided an update on the recent National Grid employee survey with GT scoring 82% on engagement and 67% on enablement, with a new measure on leadership and how employees value leadership in the organisation achieving a positive 84%.

Q & A

ZM thanked TN for the update and commented on how pleasing the employee survey and in particular the leadership scores were. ZM highlighted that the national papers had reported on a £4m fine for health and safety on high rise buildings and asked if there were any reflections from NG on the final decision. TN highlighted around the rigour needed on record keeping, with the incident being part of the Gas Distribution business which is now owned by Cadent, but actions are being taken across National Grid and GT. CB added that Nicola Shaw and Phil Sheppard attended the hearing in which NG pleaded guilty and wholeheartedly apologised. He added how much it re-enforced the importance of data to everyone and informed the Group that NG was working with the HSE to relay this message internally, along with the safety implications of it. CB further explained that NG were using this incident as a learning exercise, accepting that back in 2014/15 the gas distribution business wasn't where it should have been.

JC followed on that the implementation of charging wasn't quite as positive as described. However, she noted that improvements with engagement was now taking place. CM reflected that progress is now being made but highlighted how charging is taken forward in the period whilst any CMA decision is made. CM asked that the impacts be made clear.

TN responded that Ian Radley had set up a weekly working group internally, tracking changes of modifications to ensure they are having the desired outcomes, including thinking about future charges, the impact on constraint management incentives and also covering stakeholder engagement.

The User Group highlighted the stakeholder engagement piece which needs to be looked at. CB acknowledged the feedback on charging and especially the stakeholder engagement and retrospectivity of charges and this will be taken back internally with TN to provide a subsequent update.

ZM related an issue prevalent to both gas and electricity in terms of green recovery plans and build back better. She highlighted that she hadn't seen any evidence of change in response to the COVID situation and also including how NG are responding to shifting stakeholder expectations. TM responded that this should be picked up in future meetings, in particular, Responsible Business in the summer.

JC asked whether the System Operator review had any implications for the role of the User Group. CB highlighted that when BEIS publish their views on the institutional arrangements, NG will then be keen to engage stakeholder views and to understand the impact on stakeholder and consumers.

UG18-02

TN to provide an update on charging stakeholder engagement.

4.

IUG Framework Review

TM opened this section by first of all thanking all of the NG team and particularly IS, for their work on the framework. She also expressed particular thanks to BW and WW for their recent input to the development of the framework.

IS set out the purpose of the session and expressed the desired outcome as being to agree what the next steps are and the actions to agree a working version of framework.

He explained that the Framework consisted of four key elements as follows:

- The Forward Workplan
- The NG inputs (Pre-Read material) and updates
- The User Group evaluation questions
- Tracking performance through the use of dashboards and Outputs (User Group publications)

IS then provided a high level run through of the work done on developing the framework over the last twelve months. He reiterated the Group's three focus areas and how the feedback from the group had been taken on board to build the current iteration of the framework.

He also informed the Group of how the framework would be used to articulate the business plan commitments.

The focus of the presentation then went onto the performance insights pack, an input into the IUG's focus area of monitoring, interrogating and aimed at enhancing the transparency of NGET/NGG performance.

IS explained the three different levels at which performance could be reported.

Level 1 - included an executive overview narrative for the period, highlighting any key opportunities or risks and a single dashboard summarising financial and business performance. The aim of this level was to provide a digestible overview of *value for money* linking financial performance with business performance and consumer impact; informing areas for more detailed focus.

Level 2 included a separate dashboard of business performance for each relevant stakeholder priority area, breaking this down into Price Control Deliverable (PCD) delivery, output delivery incentives and managing uncertainty where relevant. The aim was to allow the IUG to understand the detail behind the top-level business performance for each aggregated stakeholder priority and then there was.

Level 3 provides regular business updates at each meeting and allows for topic specific deep dives where this is requested by the IUG and/or suggested by the company to further understanding.

	<p>IS then took the Group through the frequency of performance updates at the three levels of detail and how they will align to relevant external milestones, IUG meetings and in response to any deep dives.</p> <p>A point was raised by the Group for the need of a sense check to ensure there was still a thread between the consumer and stakeholder priorities.</p> <p>The Group also discussed the feasibility of separate dashboards for the other stakeholder priorities like innovation. The possible use of the innovation framework was suggested by DM. It was, however explained by IS that the cross-cutting areas that went to the heart of culture would be covered in the Critical Friend focus area.</p> <p>BW expressed the need to be clear how the priorities not being presented as separate topics can or would be tracked.</p> <p>IS also highlighted that consideration could be given to how the charters could be tracked.</p> <p>The Group then discussed what would be presented to them by way of re-openers. Given the potential volume, some concern was expressed as to whether Ofgem would have the capacity to handle requirements. CB informed the Group that he would be discussing this with Ofgem.</p> <p>TN also added that NGG have been liaising with Ofgem and have now come up with a priority list of re-openers Ofgem want the focus on.</p> <p>TM enquired about what the role of the group / outcome would be in the monitor performance section. IS responded that the key aim was for the IUG to understand business performance as an input into feeding back on performance. He also expressed that another aim was to obtain recommendations on how the NG could make this translatable to stakeholders.</p> <p>CBa then went through the critical friend dashboard explaining the nature of the evaluation questions for this focus area. She explained to the Group that the outcomes for this area would be recommendations and demonstrated this by applying it to the Digitalisation topic. CBa also went through the proposed process for agreeing recommendation and challenges.</p> <p>ZM asked about the inter relationship between the recommendations log and the challenge log and asked that it be clearly defined in the Groups Terms of Reference. ZM also suggested that including a column in the log for “rationale” and also a RAG for recommendations to denote level of importance.</p> <p>TM highlighted that the Group may have to report on the digitalisation strategy to Ofgem in which case it may become aprt of the “holding to account” area of focusIS explained that Ofgem’s requirements were not yet stated, however the process could be amended to suite as soon as requirements were established.</p>	<p>UG18-03 AA to include a rationale column and RAG on the recommendations log. The ToR to be updated to reflect the inter-relationship between the recommendations and challenge logs</p>
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	<p>AA then went through the proposal for IUG publications suggesting a publication in March on a view of the year ahead, an input into the annual performance report in September where the User Group could comment on performance from a stakeholder/user perspective and a publication in December reflecting on the activity during the year and IUG impact.</p> <p>The Group generally agreed with the number of publications, providing feedback on revising the December publication to January and making it a report instead of a blog. They also fed back that the March publication could be referred to as the “Year ahead Plan” as opposed to a newsletter and expressed that the September report may also be an opportunity for the group to comment on aspects of their choice.</p> <p>DM challenged the Group to reflect on the essence of the outputs and the Group discussed the importance in terms of transparency and highlighted the need for more push type communications. A question was also raised as to whether NG saw the Group playing a role in their assurance processes. CB responded that he wanted the Group to continue to challenge the business but had not considered bringing the Group into formal assurance. He highlighted however that the Group would have access to the Board via TM and via the charters.</p> <p>AP enquired whether commenting on performance results was pulling the group into a more formalised role. This led to a discussion on the requirements Ofgem may place on the Group to report on how NG is delivering against commitments.</p> <p>The Group also discussed the next steps in agreeing the effectiveness criteria by which the IUG would review its impact.</p> <p>The Group was informed that IS was leaving the business to take up a new role in Hong Kong. On behalf of the Group, the Chair for all of his invaluable work in helping the successful establishment of the IUG and in ensuring that the Group was in a good place to commence its enduring role over the RIIO-2 period. All present wished Ivo the very best for the future.</p>	<p>UG18-04 The User Group to discuss and agree the effectiveness criteria offline.</p>
5.	<p>Stakeholder Engagement – closed session</p> <p>The User Group used this session to discuss key recommendations ahead of the open session.</p>	
6.	<p>Stakeholder Engagement</p> <p>GS and JP gave an introduction to the session where they would update on the activities under stakeholder engagement including strategy, culture and process aligned to the critical friend role of the User Group. The outcome of the session was for the UG to provide key recommendations for the ongoing stakeholder engagement approach.</p> <p>GS highlighted key actions since the last update to the UG in May 2020 were moving stakeholder engagement to a business as usual approach where insight informs business decision making. Work had taken place to ensure stakeholder engagement informed strategic business</p>	

priorities and governance had been changed to enable these key actions to happen.

In terms of strategy, the stakeholder strategy had been updated to expand the consumer section and there had been a refresh to align internal business priorities and external stakeholder priorities.

On culture GS updated that there is a new operating model for stakeholder engagement where ownership of engagement now sits within the business units and is part of the topic lead accountability. There will still be 'expert' teams within each business unit to provide coaching so as to ensure this accountability for stakeholder engagement is devolved to all.

For processes, governance had been updated to allow a review of UK wide and business unit priorities and for these to be agreed. Topic specific governance changes had taken place to ensure insight feeds decision making and this is supported by a revised engagement log to ensure RIIO-2 business planning learning is transitioned into business as usual.

Q & A

TM enquired about how the business proposed using the engagement logs so that they did not end up being just a tick box exercise but rather to change the culture further. GS responded that the 'expert' teams are supporting topic leads to enable this culture change as ultimately for any engagement there needs to be evidence on how decisions are made based on the insight from engagement. GS also noted that many teams have their own versions of logs and there were no impositions for them to fill in a form. The objective is rather to ensure the principles are understood and they work for individuals. JP added the engagement log helps as a discussion point to help shape the engagement upfront to focus on outcomes and development the engagement programme. It is then used to capture the insight after the engagement takes place.

WW supported the idea of embedding engagement in the organisation and that this will be beneficial in not having to start again in building the RIIO-3 business plans. WW highlighted that the focus on engagement should be on how consumers will use energy by the end of RIIO-3 in 2030 for example in terms of electric vehicles and heating. The engagement should be bottom up from the users, with a shift to testing how consumers are going to use energy in the future to form solutions around this. GS gave an example of consumer trend work with Mintel feeding into decarbonisation of transport to enable the business to understand where consumer trends are going. JP highlighted that on this type of research it goes across the whole system and not just end consumers but industrial consumers also.

ZM had a question around devolving and embedding engagement and if there were any incentives for staff in terms of rewards or recognition. GS and JP highlighted a number of ways NG does this including setting objectives, and in the coming year more people will have stakeholder related objectives as NG moves to this devolved approach. JP added that all objectives for employees have to link back to strategic priorities which are now aligned with the stakeholder priorities. There are also

	<p>several ways to celebrate strong stakeholder behaviour including the Yammer where stories and examples can be shared as well as the usual employee communication newsletters in the businesses and UK wide. A system called Appreciate provides thank-you cards and monetary awards for those who have gone the extra mile with stakeholder and customer being categories for awards. There are also NG group wide Chairman's Awards and business specific awards such as in GT, where there is an annual process with categories for work in stakeholder/customer and communities where there is outstanding service. ZM asked if there was a metric to show how this is monitored and JP agreed this could be a potential embedding metric.</p> <p>ZM asked how engagement related outcomes fit into the proposed metrics. She highlighted that the metrics focus on quality of engagement rather than wider outcomes. GS highlighted areas in progress such as Trust and these continue to be noted and progressed.</p> <p>DM highlighted her concern that stakeholder engagement is often seen as a softer skill or add on, however it is a commercial imperative to gain insight, be efficient and be fit for the future. DM asked where engagement was perceived as a priority in the organisation. CB responded that there are three major cultural changes which NG is driving towards and stakeholder is one of these top three which also include efficiency and driving decision making down the organisation. CB commented that the intent is there including messages from John Pettigrew down. NG is now in the phases where this needs to land and to consider metrics to know how it is getting there on the journey of embedding stakeholder engagement.</p> <p>The User Group asked questions on the refreshed priorities. JC asked whether these had been communicated to stakeholders and JP responded that they had been tested both internally and externally with positive feedback being received. RB highlighted on the gas priorities that leading the hydrogen transition is a bit rigid and should there be more flexibility for different pathways? TM did highlight that the User Group during the business plan process did challenge NGGT to lead on the hydrogen transition. ZM questioned why sustainable value appeared on the gas outcomes and not electricity with one feeling more whole system than the other.</p> <p>ZM also asked if NG were inclined to share insight and research with others, or publish it, in the light of the value it could bring to wider stakeholders. GS agreed that with so many organisations doing research, conversations with other networks and across the whole system including the water industry are taking place to ensure that NG can share research studies and it helps with triangulation of research.</p> <p>BW questioned as to whether stakeholders across the whole system are considered. GS agreed that yes, whole system users were considered and especially in electricity as many of these are ESO stakeholders. NGET are ensuring they talk to the ESO and any relevant stakeholders of the ESO too.</p> <p>TM recommended that the stakeholder engagement plans needed to demonstrate how they were aligned with the NGET/NGGT RIIO_2</p>	<p>UG-18-05 GS/JP to consider a metric on how engagement is celebrated to show how it is embedding into culture.</p> <p>UG-18-06 GS to review how sustainable value fits into ET priorities and ensure consistency review across gas and electricity.</p>
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	<p>stakeholder strategies board charter, Ofgem business plan guidance and user group principles. While it appeared likely that this was the case, it was not clear, and the plans needed to contain a “golden thread” so that the alignment was transparent and clear.</p> <p>Recommendations</p> <ol style="list-style-type: none"> 1. Stakeholder engagement plans should clearly demonstrate how they are aligned with the NGET/NGGT RIIO_2 stakeholder strategies, board charter, Ofgem business plan guidance and user group principles. Embed a “golden thread” so that this alignment is transparent and clear. 2. Culture - Ensure engagement has defined outcomes to understand what success looks like, and how it might be measured. 3. Future whole system - Start to shift engagement to a more bottom-up focus on how consumers will use energy in the future in order to gear up understanding of what the future will look like for RIIO-3 and beyond. Engagement should include whole system users and potential users of whole system and cover the breadth of the transmission customer base, including intermediaries. 4. Culture - ensure engagement logs are used to feed into governance and decision making. 	
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Actions Log