



**Customer
Engagement Group**

Impacts

Appendix 28

Introduction

When the CEG was first established we agreed a set of effectiveness criteria which we have reviewed on a regular basis. Of course, the main success criteria relate to how well NGN's Business Plan (BP) serves its stakeholders and customers but we also set up and monitored other factors that would provide evidence of our effectiveness and demonstrate our independence.

Below we describe the key criteria and how far we think we have met them. We also summarise

Effectiveness Criteria

The Chair worked with NGN and commissioned KPMG to help draft criteria based on the initial Ofgem Guidance. This was then considered, amended and agreed by the CEG when we were fully established in September 2018. A log to capture and describe evidence of how we were meeting the criteria was created and updated regularly. We RAG rated ourselves and believe that we have achieved Green status for all the key criteria.

We set out to demonstrate:

- How the CEG was set up and run independently and
- That the CEG provided rigorous challenge that influenced the BP

At the start we focussed on ensuring we had the correct skills and experience and we checked on an ongoing basis that these were being applied effectively in subgroups, deep dive sessions, commenting on specialist areas, drafting sections of the report etc. We were also very mindful to ensure we were operating robust procedures and controls, and that we were being provided with a good level of access and support by NGN.

We have not set out all of the key effectiveness criteria as this numbered 35 (9 of which related to ensuring we monitored procedures to ensure our independence from NGN, Ofgem and the CCG whilst working collaboratively with all three).

the key impacts we believe we have had on each section of the BP that are either quantitative or qualitative. The examples we give are not exhaustive and Ofgem can have access to further information if required from our Effectiveness Criteria log which provides links to the evidence we collected to substantiate our assumptions. We hope that lessons will be learned to aid the RIIO-ED2 process and help Ofgem, the DNOs, and their CEGs to produce high quality outcomes.

The controls we put in place have also allowed us to measure the impact we have had over the period the BP was being developed as well as ultimately the final version submitted on 9 December. The CEG influenced how individual sections of the plan were prepared through meeting the manager responsible for each area of the plan. We believe we helped shape each iteration of the BP, but some notable impacts include greater visibility of engagement points and the priorities of customers reflected in the plan; and greater clarity of information

Chapter 2 – Track Record and Performance

Qualitative

1. NGN improved the clarity of their BP to demonstrate how efficiencies have been made through delivery model changes and workforce terms and conditions over RIIO-1 (and earlier), and have explained how these are embedded, with the value expressed in £. This will enable stakeholders to see more clearly the basis on which the company has built its new BP and why it believes it can provide enhanced services and reduced bills for RIIO-2.

Chapter 3 – Stakeholder Engagement

Quantitative

1. The company heard from more ‘hidden voices’. 79% people who participated in the BP engagement activities had not previously engaged with NGN and around

25% of customers engaged were in vulnerable circumstances. This resulted from our influence in designing the Stakeholder Engagement Plan.

Qualitative

1. The involvement of the CEG had both a strategic and a practical impact on the Stakeholder Engagement Plan which led to numerous changes to the plan. Our views impacted the research methodologies and analysis process as we challenged NGN to triangulate information and test theories using existing customer feedback on existing services alongside new research and other evidence.
2. We ensured they sought feedback on areas that are material to customers/stakeholders and where they would have most opportunity to influence the outcome. As a result, the Citizen’s Jury was encouraged to prioritize areas that mattered most to them and NGN subsequently focused on these. Feedback by CEG members from two Pioneer Workshops in February 2019 resulted in the content and facilitation processes for subsequent workshops being amended. This led to increased involvement from attendees at future events and these changes were reflected positively in stakeholder feedback received at these events.
3. We challenged NGN to make clear links between stakeholder views and the Outputs and BP commitments and these are highlighted in the final version of the BP to support their targets.

Chapter 4 – Outputs

Quantitative

1. The target and number of PSR referrals.
2. The CEG influenced the increased value of the shareholder funded Hardship Fund from £150k over RIIO-2 to £750k and the 5,000 additional fuel poor network extension target over RIIO-2. NGN demonstrated it would not replicate the work of other agencies tasked to deal with vulnerable customers following our challenges.
3. During the development of the BP NGN identified what they described as a bespoke

Output in relation to operating under BSI 18477. The CEG were not convinced this was an Output viewing it as a demonstration of how NGN does business better. As a result of the challenge NGN withdrew the Output from the BP.

4. As the result of a direct challenge from the CEG a metric for measuring an overall reduction in customer complaints has been included in the BP, in addition to their proposed improvement in complaint resolution times.

Qualitative

1. Outputs reflect the preferences expressed by customers and stakeholders with a rationale and evidence provided for any trade-offs and compromises.
2. The final iteration of the EAP was influenced by detailed scrutiny of earlier versions and our challenges for NGN to provide clear links with the Whole Systems and Innovation strategies, which were developed and scrutinised in the same timescales.
3. Having a qualified and experienced gas pipeline expert on the group allowed us to challenge robustly the issues associated with the maintenance or renewal of aging metallic pipes. The explanations we received are reflected in the BP and we believe they will aid understanding for other stakeholders.
4. The impact of training in terms of outcomes.
5. Direct challenge from CEG based on a 2030+ target in line with Regional Decarbonisation targets.

6. Both quantitative and qualitative improvements were made to the original propositions in the CVP following our comments. Customer support and views have been provided for each area along with impacts for both the RIIO-2 period and the longer term highlighted.
7. A realistic number of referrals has been set with sound procedures ensure the right people are referred to the Priority Services Register.
8. A Customer and Social Competency Framework has been included as a bespoke Output in response to our challenge that customer outcomes and impacts are achieved and demonstrated from NGN’s advice and training services.

Chapter 5 – A Sustainable Plan for the Future

Quantitative

1. Our challenges to the Innovation Strategy significantly influenced NGN's approach in ensuring customer benefit is more clearly articulated as part of the narrative. However, we had more modest influence over the costs associated with RIIO-2 innovation Outputs despite numerous challenges, which we believe was in part due to the late guidance and the need for more detailed planning between NGN and its partners once the NIA criteria is finalised.
2. Percentage of fleet replacement increased significantly, from none to 50% in different iterations following strong challenge by the CEG.

Qualitative

1. Following several challenges raised in deep dive sessions the Whole Systems strategy has been strengthened and there is greater clarity over the focus of NGN's approach to Whole Systems and how they will contribute to the national decarbonisation agenda. NGN have been active in identifying additional resources and funding for the InTEGReL testing site as we challenged them to ensure third party funding would be available to meet their aspirations.
2. We also helped ensure that NGN's approach to Whole Systems dovetails with its EAP and Innovation strategy through very robust challenges. There was a considerable amount of work for NGN to do to comply with the later guidance updates from Ofgem on what to provide alongside the main BP.
3. The final version of the plan more clearly explains their approach to competition and the impact that has had. Early iterations of the BP unhelpfully conflated innovation with competition and there is greater transparency as a result of our comments.
4. Stakeholders expressed concern over air quality. As part of the EAP in RIIO-2, NGN will invest in initiatives to improve air quality in communities served by the company.
5. NGN will engage with biomethane stakeholders using the core mechanisms outlined in Quality Engagement (key account management, hot topic workshops). These stakeholders have a significant role to play in the decarbonisation of the network.

Chapter 6 – Costs

Quantitative

1. Totex – The costs remained the same from the initial version we received to the final plan. However, following the CEG’s challenges, NGN are delivering greater value and more Outputs for the total costs, and have a more ambitious

programme of work for the same expenditure. Greater investment is being made in areas that we and other stakeholders prioritised, for example gas leakage and vehicle replacement.

Qualitative

1. We requested greater cross referencing throughout the chapter on costs in the BP making clear links to the outcomes customers wanted to see and the benefits to them of all expenditure. A golden thread was established to provide evidence for decisions and costs.
2. Totex-The CEG improved the quality of the information in the plan to ensure all material costs and significant changes from RIIO-1 were made more transparent. We requested that any trade offs were more clearly explained. Where cost savings were assumed, but not justified, we requested greater clarity; and where investments grow the RAB we requested they demonstrate that this is in the long-term interest of customers and not just the owners/ shareholders. How NGN can drive efficiencies through Totex has been better explained, although this remains an area where there could be greater transparency across the regulated industries.
3. Opex – The CEG influence improved the quality of the evidence to justify expenditure, particularly on increased maintenance costs, and provided greater transparency about how those costs are made up.
4. Repex – justification for the increased Repex programme was improved following our expert analysis of the engineering works proposed. This followed a challenge raised by the CEG on the length of pipeline replacement. A fuller description of works and the reasons for NGN

decisions was provided in the final version of the plan.

5. Capex- We requested that a description of some of the smaller assets was provided to help us better understand the function and therefore need for the expenditure. This was provided and helped clarify the amount of required expenditure.
6. Across all areas of expenditure Waterfall diagrams were included to illustrate more clearly which areas of expenditure were increasing and which were decreasing under RIIO-2. These were opaque in earlier versions of the BP and NGN responded to our request for greater transparency on how costs were made up.