

Independent Stakeholder Group (ISG) Response to OFGEM Draft Determination:

Date: August 2025

From: NGN Independent Stakeholder Group

To: OFGEM RIIO-3 Draft Determination Consultation Team, RIIO3@ofgem.gov.uk

RIIO-3 Draft Determinations Consultation (GD3)

This response is written on behalf of Northern Gas Networks' Independent Stakeholder Group. We provide independent scrutiny in the interests of existing and future customers. We supported and challenged NGN throughout GD2, the Business Plan development and submitted a detailed Call for Evidence response earlier in the year. We welcome Ofgem's recognition of plan quality and stakeholder engagement. Where we do not comment, this should not be taken as agreeing with the NGN position.

In this cover note we first highlight areas we endorsed in the Call for Evidence and then reflect on the overall package of costs and investment, especially where these relate to safety, methane reduction, vulnerability and service quality. Finally, we signpost a small number of cross-cutting issues where clearer accountability or funding signals would strengthen the Final Determination.

We support Ofgem's approach to vulnerability, including continued flexibility through a UIOLI mechanism, and we strongly support maintaining (potentially increasing) VCMA funding with clear outcome reporting. We welcome the introduction of 7 and 28 day repair standards as an ODI that reflects tested customer preferences. We also welcome firm expectations on environmental action and credible progress on methane leakage, and encourage the responsible use of AI and advanced analytics to target vulnerability support, quicker leakage detection and repair, strengthen customer service, and improve asset risk insight, with clear safeguards on data privacy and transparency.

Set against that, we ask Ofgem to consider the following cross-cutting points as it moves to Final Determinations:

Baseline versus reopeners and PCDs. Where activity is placed in baseline rather than through a reopener or PCD, customers still need clear outputs that state what will be delivered and when.

Innovation and digital readiness. Clarity on the appropriate route across NIA, NZARD, NZASP and SIF will be important so well-evidenced projects on safety, leakage, data and cyber progress without delay.

Safety and the HSE interface. Early clarity on how changes in HSE expectations will be handled in-period will avoid uncertainty and help manage the operational implications of earlier leak detection (and overall system leakage reduction from a GHG emissions perspective), innovation in quicker disconnections and risk management.

RESP engagement and resourcing. The RESP framework will create new duties on data and engagement. Roles, expectations and baseline resourcing should be set out clearly, with signposting to when uncertainty mechanisms apply.

We also want future customers embedded in three places. Within the enduring ISG through named Junior ISG members with mentoring and a clear workplan. Directly in Ofgem through a standing youth panel linked to each price control consultation with published "you said, we did" feedback. Within RESP through a named future customers segment in engagement plans, with evidence of how youth insight shapes option appraisal, investment phasing and communications. This mirrors NGN's

Junior ISG and YIC good practice and we will share our Junior ISG materials to support rapid adoption across the sector.

Our responses below then focus on two selected consultation questions where we believe our evidence can add most value and on a short list of clarifications that would improve the Final Determination. Our aim is simple: safe and reliable service, honest tracking of delivery, faster and measured progress on methane reduction, fair outcomes for current and future bill payers and help for the most vulnerable.

NGN's Independent Stakeholder Group has worked together throughout GD2, continuing the work of the Customer Engagement Group, expertly led by Jenny Saunders. I, Brian Matthews, took on the Chair role in July 2025 to maintain continuity and maintain our focus on affordability, vulnerability, environment, innovation, data and workforce resilience. Our current membership and areas are: **Brian Matthews (Chair)** Decarbonisation, Innovation, Resilience; **Andy King** Environment, Sustainability; **Alan Lowdon** Innovation, Engineering; **Carole Pitkeathley** Vulnerability, Stakeholder Engagement, Customer Service; **Eddie Proffitt** Industrial and Commercial, Resilience, Environment; **Philip Broom** Economics, Whole Systems, Industry; **Rupika Madhura** Regulation, EDI, Workforce, Data and Digitalisation. We also acknowledge the contribution of recent leavers **Charlotte Allan** Vulnerability, EDI, Workforce and Supply Chain and **Yvana Ferreira** Environment, Resilience, Data and Digitalisation, and former Chair **Jenny Saunders**.

[Find below our responses for:](#)

Question 1: We would welcome any views on the enduring role of the ISGs during RIIO-3 and for future price controls.

NGNQ1. EAP: Net Zero Research Village (NeRV) PCD. Do you agree with Ofgem's proposal to reject NGN's Net Zero Research Village (NeRV) PCD?

Enduring Role of ISGs in RIIO-3 and Beyond

Response to Question 1: We would welcome any views on the enduring role of the ISGs during RIIO-3 and for future price controls.

We welcome this question and strongly support the continuation and formalisation of ISGs as an enduring feature of RIIO-3 and future price controls. Drawing on our experience as the Independent Stakeholder Group (ISG) for Northern Gas Networks (NGN), we believe ISGs are essential to ensuring transparency, reducing regulatory risk, and securing better consumer outcomes.

1. The Case for an Enduring ISG Role

ISGs were introduced in RIIO-2 to improve transparency, accountability, and legitimacy during business plan development. That purpose remains vital, and arguably becomes more important during the delivery phase of the price control.

We believe the ISG model should be formalised as a mandated and enduring feature of RIIO-3 and future controls, providing ongoing:

- Challenge to company performance
- Support for stakeholder engagement
- Scrutiny of how companies use insight from that engagement to shape business plans and operations, ensuring customer preferences and values are central.
- Market-derived perspectives and insights that otherwise would not have been available

The presence of an active, independent ISG can significantly reduce information asymmetry between companies and the regulator, especially if OFGEM experiences high internal turnover and resource pressures.

2. The Role of ISGs Beyond Business Plans

We support a clearly defined ongoing role for ISGs beyond the business plan stage. This should include:

- Input into annual performance reviews
- Participation in OFGEM led strategic sessions
- Regular reviews of consumer vulnerability strategies
- Input into innovation and whole system initiatives
- Site visits to witness first hand operational practices and their associated customer impacts and benefits.
- Tracking and publishing the impact of ISG recommendations on company decisions and OFGEM determinations

ISGs must not become surrogate auditors or financial analysts, their strength lies in stakeholder insight, community focus, and transparent challenge. A continued presence during steady-state periods, combined with deeper engagement during key reviews, is an appropriate model. Focus areas can be established based on GDN priorities, examples of the NGN ISG focus areas over GD2

have been: Vulnerability and Affordability, Digitalisation and AI, Environmental Sustainability and Net Zero, Workforce Resilience and Skills, Data Transparency and Benchmarking, Stakeholder Engagement Methodologies, Innovation and Future Networks.

3. Our Role: NGN ISG Terms of Reference

Our Terms of Reference, most recently updated in September 2024, define our role as:

- Providing challenge and scrutiny of NGN's RIIO-3 business plan
- Monitoring and influencing how NGN engages stakeholders and delivers on its commitments
- Promoting consumer and stakeholder interests in strategic and operational decision-making
- Reviewing NGN's performance on stakeholder engagement, innovation, and delivery
- Assessing the customer impact of the uptake of new technologies and systems
- Engaging with OFGEM and sharing insights across networks

The ISG's strength lies in its independence, complementary cross-sector expertise, and ability to flex its skills mix as priorities shift, enabling challenge from multiple perspectives. For example, combining regulatory, engineering, consumer advocacy, and environmental expertise has enabled the NGN ISG to challenge proposals from multiple perspectives. We are not financial analysts, auditors, or decision-makers, but we provide expert insight grounded in stakeholder interests, technical knowledge, and lived consumer experience.

Our Terms of Reference also reinforce:

- Transparent appointments and membership refresh cycles
- Commitment to the Nolan Principles of public service
- A formal work programme of deep dives, stakeholder events, and company engagement
- An annual public report assessing our impact and a self-assessment on the ISG's effectiveness.

We also recommend that OFGEM and the ISG Chairs group collaborate on a flexible outline of required ISG competencies, aligned with current and emerging priorities. This framework could be periodically reviewed to ensure ISGs have the appropriate skills to respond to shifts in regulatory focus, consumer needs, and evolving priorities. As part of this, each ISG should include a Junior ISG member to represent future customers, bringing a different generational perspective and helping ensure long-term consumer interests are reflected in ISG discussions and GDN decision-making. The ISG chairs can work with OFGEM and GDN's to develop these during the final determination process.

4. Safeguarding ISG Independence and Continuity

To retain independence and impact, ISGs should:

- Be appointed through transparent and fair processes, with OFGEM oversight
- Have continuity of membership and chair, to retain institutional memory
- Be supported in development and onboarding by a national framework or forum

- Have enough time to enact their role and have easy and regular access to senior leaders in regulated utilities and OFGEM
- Not be removed or reset without Ofgem engagement

5. Addressing Imbalances in Institutional Capacity

There is an emerging asymmetry in capacity and institutional memory between regulated companies and the regulator, caused in part by OFGEM's staff turnover. A well-functioning ISG can provide:

- Continuity and insight across business plan and delivery phases
- A repository of sectoral, consumer, and technical knowledge
- A credible, independent voice in performance challenge

6. Recommendations for OFGEM

We recommend OFGEM:

- Mandate enduring ISGs as a requirement of RIIO-3
- Define a core scope of responsibilities, focused on delivery oversight and stakeholder challenge
- Support Chairs and new members with central induction resources
- Ensure companies cannot remove or reset ISGs without justification and OFGEM engagement
- Enable regular, senior-level ISG engagement with OFGEM
- Collaborate with ISG Chairs to define and periodically update a competency framework for ISGs
- Retain a role in overseeing ISG appointment processes to protect independence and capability

Conclusion

We strongly support the continuation and strengthening of the ISG model during RIIO-3 and beyond. A well-composed, independent ISG improves transparency, reduces regulatory risk, and supports better consumer outcomes. We urge OFGEM to act decisively in formalising and resourcing this role for the long term.

NGNQ1. EAP: Net Zero Research Village (NeRV) PCD

Question: Do you agree with Ofgem's proposal to reject NGN's Net Zero Research Village (NeRV) PCD?

ISG position: No. We do not agree. We consider NeRV a practical, near-term route to reduce bills and risk for customers by generating real-home evidence on what works across common UK housing types, delivered by a mature team on an operational campus at Low Thornley. We will continue to scrutinise NeRV throughout GD3 so that benefits and learning are maximised for customers.

1) Clear consumer benefit.

NeRV focuses on existing homes where evidence gaps still drive cost and risk. Work is designed to quantify bill impacts by housing archetype, first-time-right retrofit rates, peak reduction from smarter controls and hybrid operation, and acceptance by vulnerable and digitally excluded customers. These are direct benefits to energy consumers and the wider system.

2) Value for money and UK-PLC return.

NeRV reuses the Low Thornley campus, including the Customer Energy Village and Futures Close, shortening time from idea/concept to measurable impact. Futures Close was co-funded by the North East LEP through the Local Growth Fund and the Getting Building Fund, so continued use improves the return on prior public investment and avoids duplicating facilities elsewhere.

3) Advancement beyond existing agencies.

NeRV complements, rather than duplicates, other UK facilities. Its distinctiveness is whole-system integration across gas and electricity in lived-in homes with a strong equity and behaviour lens. This system-in-practice layer is not available as a single platform elsewhere.

4) Alternatives and collaboration.

We recognise Ofgem's request for clarity on alternatives. NGN already collaborates widely and can place discrete packages with external agencies where they are best placed. The ISG will test this logic case by case as part of ongoing scrutiny and will publish assurance commentary so customers can see the benefits.

Why gas bill payers should fund this PCD

- **Direct beneficiaries.** A large majority of UK households heat with gas today. Evidence that makes their transition cheaper and safer directly benefits gas customers within the gas price control and beyond.
- **Avoided costs.** Right-first-time retrofit, smarter operation and improved customer journeys reduce re-work, protect households and lower system costs that would otherwise be recovered from bills. Clean Power 2030 highlights how consumer-led flexibility and efficiency reduce peaks and infrastructure needs, lowering costs for everyone.
- **Fair transition.** NeRV prioritises fuel-poor and vulnerable customers, aligning with ISG's and NEA's calls for targeted, equity-focused measures and protections during the transition.

Housing efficiency, reduced power use and NeRV's role

Policy context. Government strategy aims to lift as many homes as possible to EPC Band C by 2035 where practical, cost-effective and affordable, while the clean power push relies on demand reduction and consumer-led flexibility to moderate electricity peaks as heat and transport electrify. NeRV provides the real-home evidence needed to unlock those benefits in practice.

Ofgem evidence in this area. NeRV complements Ofgem's focus on household efficiency, consumer outcomes and flexibility by turning scheme intent into measurable improvements in lived-in homes. It will generate archetype-specific performance data that helps refine targeting and measure lists under ECO4 and the Great British Insulation Scheme, reduce re-work by proving installation quality and customer journeys within PAS 2035 practice, and speed council and housing-provider delivery with ready-to-use playbooks. By publishing open, comparable datasets aligned to Ofgem's Data Best Practice, NeRV strengthens monitoring, evaluation and learning, giving Ofgem and delivery partners better evidence to calibrate mid-scheme changes and future scheme design while protecting vulnerable customers and improving value for money.

Live delivery schemes NeRV will plug into. NeRV's trials can be designed to complement delivery across ECO4, the Great British Insulation Scheme and the Social Housing Decarbonisation Fund, and then be lifted into local authority and housing-provider programmes.

System benefit. NESO's Clean Power 2030 shows that consumer-led flexibility and efficiency are needed to reduce residential demand growth and flatten peaks this decade. NeRV generates practical evidence on fabric, controls and hybrid operation in lived-in homes that supports this system need.

UK-PLC benefit of prior regional funding

NeRV evolves the Customer Energy Village and Futures Close assets, improving the return on North East LEP co-funding and leveraging an established delivery platform rather than creating a new site elsewhere.

How NeRV evidence can shape future policy and grants

NeRV will produce archetype-specific playbooks and performance data that government, Ofgem and delivery bodies can use to refine eligibility, measure lists and targeting in future rounds or successors to ECO, GBIS, SHDF and related schemes. Focusing limited funds on the right measures for the right homes improves value for money and outcomes for vulnerable customers.

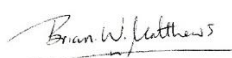
Ongoing ISG scrutiny

The ISG supports the principles above and will continue to scrutinise NeRV throughout GD3. We will run focused deep dives, undertake site visits, review evidence of consumer outcomes and value for money, assess collaboration and knowledge sharing, and publish assurance commentary. This ensures benefits are real, replicable and flow quickly to customers.

Conclusion

Rejecting NeRV on narrow engineering grounds would delay practical learning that can reduce bills, avoid wider system costs and protect vulnerable customers while improving the return on prior public funding at Low Thornley. The NGN ISG supports NeRV and will maintain rigorous scrutiny so consumers receive maximum value.

Signed on behalf of the NGN Independent Stakeholder Group



Brian Matthews
Chair, NGN ISG