

A company perspective: SGN

Helen Bray

Director Stakeholder Relations



SGN

Your gas. Our network.

Building on RIIO1

Better outcomes
for customers

Learning
lessons
from other
sectors



Valuable benefits of RIIO1 engagement



Challenge and advice from our Stakeholder Advisory Panel to our Executive team



Business plan aligned to stakeholder interests



Ongoing engagement processes improving outcomes for business and stakeholders



Driving culture change within SGN

Designing our RII02 engagement



Our first steps forward

1. We identified a spectrum of enhanced engagement models
 - Negotiated settlement
 - WICS and Scottish Water
 - Constructive engagement
 - CAA, airports and airlines
 - Customer challenge groups
 - Ofwat and water sector
2. We took advice from our Stakeholder Advisory Panel about which model was likely to work best for network stakeholders
 - Almost all members recommended a Customer Challenge Group
3. Input from Ofgem's October workshop and later discussions
4. Reviewing lessons learned in RIIO1 and other sectors with our Advisory Panel helped refine our thinking

Why a CCG?

Supports three elements of engagement

- **Insight**

Ensuring that consumer perspectives and priorities are understood

- **Challenge**

Ensuring that the company takes account and responds to those consumer perspectives

- **Balance**

Diversity of members supports effective prioritisation of the range of views expressed by stakeholders.

Lessons learned



*Challenges from PR14 CC
Water*

*The Future Role of Customer
and Stakeholder Engagement
in the Water Industry
Bush & Earwaker 2015*

*Consumer Engagement in the
RIIO Price Control Process: A
Review Frerk 2016*

Questions arising from lessons learned

1. Remit

What should be the role of CCGs? What is the role of Ofgem?
Which specific areas of the price control should the CCG focus on?

2. Independence

What should the recruitment process be? What are the responsibilities and reporting lines of the Chair? How can capture of Chair and members be avoided?

3. Inclusivity

Who will the members be? How are they recruited? Will all types of stakeholder be able to participate?

More questions

4. Resource

What support would CCGs need to be effective? Are specialist skills or expert advice needed?

5. Impact

How can the CCG measure its effectiveness? How can it judge the effectiveness of the company's engagement model?

6. Timing

What needs to happen when?

SGN's initial thinking



1. Remit

What should be the role of CCGs? Which specific areas of the price control should they focus on? What is the role of Ofgem?



Initial views

CCGs are responsible for providing **independent challenge** to companies and **independent assurance** to the regulator on:

Quality of
process
for RII02

The quality of a company's
customer engagement

Business
plan
reflects
insight

The degree to which the results of this
engagement are driving decision making
and are reflected in the business plan

1. Remit

What should be the role of CCGs? Which specific areas of the price control should they focus on? What is the role of Ofgem?



Initial views

Learning from Ofwat

The more material the impact of the decision on consumers the more emphasis should be placed on both evidence gathering and challenge

SGN starters for 10

Outputs, incentives, levels of service and performance, value for money, customer experience, resilience, security of supply, future energy planning and solutions.

Plus anything else instigated by the Chair

1. Remit

What should be the role of CCGs? Which specific areas of the price control should they focus on? What is the role of Ofgem?



Initial views

Thoughts on Ofgem's role

An early clear steer to companies on expectations

Once CCGs are established an early scene setting meeting of chairs, with subsequent 6 monthly meetings and a communication channel independent of companies

What format does Ofgem wants any assurance to in? Ofwat left this to CCGs but some guidance would be helpful

Clear criteria on which business plans are to be evaluated

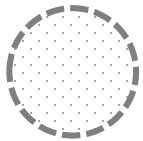
Can attend CCGs as an observer

2. Independence

What should the recruitment process be? What are the responsibilities and reporting lines of the Chair? How can capture of Chair and members be avoided?



Initial views



Essential qualities of Chair

1. Independent
 2. Senior level leadership
 3. Stakeholder engagement expertise
 4. Experience of regulated utilities
 5. Analytical judgement
- SGN proposes to use specialist talent consultancy to support appointment of Chair and ask Ofgem to ratify appointment
 - Reporting line to SGN's CEO, and paid by SGN

2. Independence

What should the recruitment process be? What are the responsibilities and reporting lines of the Chair? How can capture of Chair and members be avoided?



Initial views

Perhaps the central CA energy team could develop some kind of audit/checklist/review programme and ensure knowledge sharing and benchmarking between any regional CAB members of CCGs?

Regular meetings for all CCG chairs with Ofgem

CCGs run a challenge log documenting advice and subsequent action taken

Independent expertise and advice could be provided to CCGs

A programme of guest visits for CCG chairs to attend CCG meetings of other networks

3. Inclusivity

Who will the members be? How are they recruited? Will all types of stakeholder be able to participate?



Initial views

- Could include representatives of consumer, community, or campaigning organisations, local authorities or independent experts
- Recognise high numbers of requests asking Citizens Advice to resource CCGs. Guidance from CA to suggest a local Citizens Advice Bureau member would be helpful
- Reviews of previous CCGs (and advice from SGN's own Stakeholder Advisory Panel) note the need for remuneration of members or their organisation
- Significant time commitment to fulfil CCG role

4. Resource

What support would CCGs need to be effective? Are specialist skills or expert advice needed?

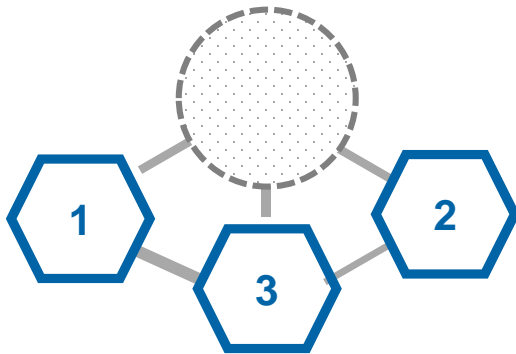


Initial views

- Members of CCGs will have different levels of knowledge. Induction and site visits will build knowledge. Information must be readily accessible
- CCG will require secretariat from SGN, and Chair may also ask for independent report writers
- Some topics will require support for effective interpretation, for example customer research and SGN will provide specialists if requested
- SGN is proposing to have a network of sub groups, one for Scotland, one for Southern, one for customer research and potentially others. Expecting to recruit 15-20 members

Setting up our CCG and subgroups

Customer Challenge Group



1. **Scottish Customer Challenge Sub Group**
2. **Southern Customer Challenge Sub Group**
3. **Customer Research Sub Group**

Stakeholder Advisory Panel



Provides advice and challenge to SGN for ongoing RII01 activities. Close interaction with CCG Chair. Members of existing Stakeholder Advisory Panel may also be recruited to CCG roles

5. Impact

How can the CCG measure its effectiveness? How can it judge the effectiveness of the company's engagement model?



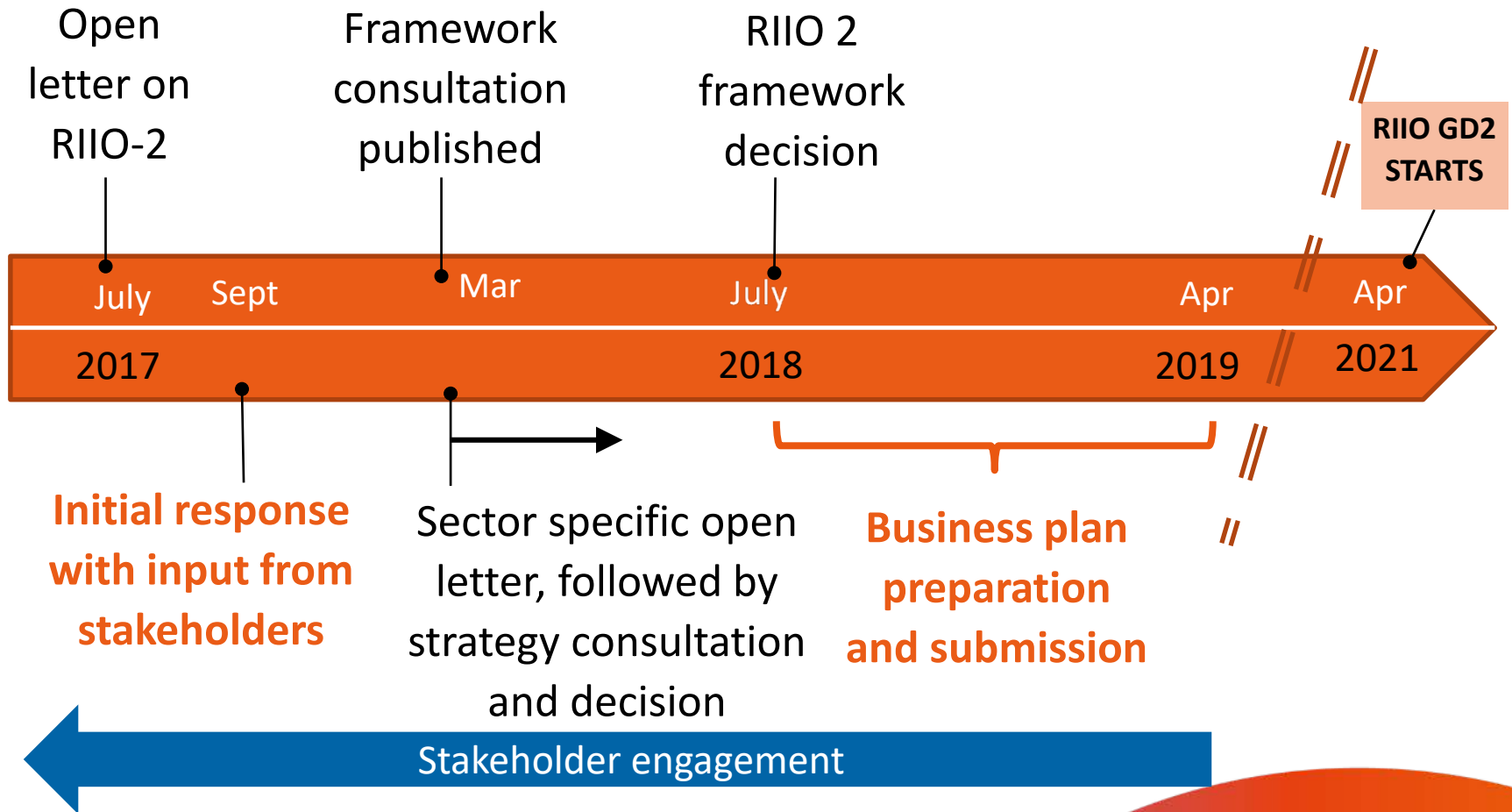
Initial views

LEGITIMACY	Legitimacy: including skills & experience and diversity of group, approach to recruitment, clarity and appropriateness of Terms of Reference, nature and levels of engagement with wider stakeholder groups (potentially including at the local level), etc Transparency: openness of reporting of activities and issues raised
UNDERSTANDING	Vision: clarity of CCG view of (a) the consumer interests the CCG is representing and (b) of the desirable regulatory outcome in terms of business behaviours Context: CCG understanding of the context of the price control and its implications (e.g. developments in technology, relevance of issues of affordability and consumer vulnerability, wider system trends and policy priorities)
PROCESS	Access: to information, Ofgem staff, and regulated companies Timeliness: of involvement in process (so that interventions have opportunity to influence key decision points and between price controls themselves)
IMPACT	Challenge: to Ofgem and to regulated businesses (and the balance between the two) Influence: on Ofgem processes and decisions and on the regulated businesses

- Suggested framework from Ofgem's ED1 CCG
- Work underway in water industry CCGs
- Can we work across industry to create a common approach?

4. Timing

What needs to happen when?





A final thought



Our next steps

- Learning from today
- Finalisation of recruitment process for Chair of CCG
- Appointment of chair
- Terms of reference drafted
- Breadth and balance of experience needed will be identified
- Recruitment of Panel members for Scottish and Southern Sub Groups and Consumer Research Sub Group
- First meeting of SGN CCG targeted for end of March

Thank you



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