

# **National Grid ELECTRICITY TRANSMISSION (NGET) Independent Stakeholder Group**

## **Terms of Reference**

## 1. Context

As part of Ofgem’s Enhanced Stakeholder Engagement Guidance for RIIO-2 the NGET Stakeholder User Group (SUG) was created. As a continuation of the SUG’s role in relation to the delivery of the RIIO-2 business plan, NGET decided to continue with the Group to help its journey to become a truly stakeholder-led business. The Group agreed that its name should be the NGET Independent User Group. Users were defined as those who are, or who represent the interests of, existing or future customers or end-users of the transmission system operated by NGET.

In October 2023, Ofgem published its decision on the overarching framework design for the network price controls (RIIO-3) for electricity and gas transmission and gas distribution that will run from 2026.<sup>1</sup> For RIIO-3, UGs will evolve into Independent Stakeholder Groups (ISGs) “which will provide challenge and scrutiny on network companies’ business plan development and have a new role in providing similar challenge and scrutiny for ongoing delivery of these plans. They will also have a role in ensuring wider stakeholder engagement.”

In addition, the ISG’s current role in monitoring the performance of NGET during the RIIO-2 delivery period will continue.

These Terms of Reference have been updated to reflect the requirements in Ofgem’s Business Plan Guidance dated 30 September 2024<sup>2</sup> and will be subject to further amendment in the light of any future relevant guidance provided by Ofgem.

## 2. Purpose of the ISG

The over-arching purpose of the ISG is to ensure that the needs and priorities of NGET’s stakeholders are reflected in NGET’s decision-making and that, in doing so, NGET delivers best value for existing and future consumers.

The User Group’s purpose is defined within three areas of focus:

- 1. Scrutinise and challenge company periodic business plans:**
  - a. Scrutinise and challenge the development of company regulatory business plans, consistent with Ofgem’ requirements.
- 2. Monitor, interrogate and enhance transparency of performance against commitments:**
  - a. Hold NGET to account in delivering its business plan commitments by monitoring delivery and enhancing transparency.
  - b. Act independently and publicly share its assessment as the voice of NGET’S stakeholders.
  - c. Shaping NGET as the pathway to Net Zero is developed and challenging how it responds to external change.
- 3. Critical friend for strategy, culture and processes in key areas**
  - a. Provide input and challenge to NGET’S priorities and activities.

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<sup>1</sup> <https://www.ofgem.gov.uk/sites/default/files/2023-10/RIIO-3%20Framework%20Decision%20.pdf>

<sup>2</sup> [https://www.ofgem.gov.uk/sites/default/files/2024-07/RIIO-3\\_Business\\_Plan\\_Guidance.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-07/RIIO-3_Business_Plan_Guidance.pdf)

- b. Provide input and challenge to NGET'S stakeholder engagement and ensure that it's part of decision-making processes and plans.
- c. Help NGET to become more stakeholder-led; demonstrating fairness, legitimacy and consumer-focus throughout the business.

### 3. Membership

The ISG comprises an independent Chair and representatives from the following stakeholder segments:

Net Zero/environment/sustainability (future users)	Distributed energy
Major energy user	Regional stakeholders
Energy supplier	Electricity distribution network
Consumer and public interest (including fuel poor consumers & consumers in vulnerable situations)	Developers/generation
New/alternative business models (future users)	National Electricity System Operator

Additional NGET attendees:

Technical Secretary	
President, Electricity Transmission	Director of Regulation, Electricity Transmission
Future Price Controls Architect	

The Chair shall keep under review the overall balance of the membership of the ISG, to ensure suitable representation from across NGET'S diverse range of stakeholders and in accordance with the agreed purpose of the ISG.

NGET shall provide additional attendees as required to facilitate the smooth functioning of the meeting.

### 4. Chair

The Chair will be appointed by NGET and must act as an independent individual and not as a representative of a particular organisation, or group of stakeholders. Ordinarily, the Chair shall convene the ISG Group meetings.

NGET shall ensure that the Chair receives comprehensive and appropriate onboarding and induction.

Once the Chair is appointed, NGET cannot dismiss the Chair unilaterally without first notifying the members of the ISG. The ISG must understand the exact reasons for dismissal and may require further information, including through direct contact with the Chair ahead of any dismissal.

Ordinarily, the tenure of the Chair appointment will be two price control periods.

If the designated Chair is not available, then a formal ISG member nominee shall be agreed in advance of the meeting with the consensus of ISG members. The Acting Chair will be responsible for convening and conducting the ISG meetings and for informing the Chair as to the salient points / decisions raised and agreed to at the meeting.

NGET shall put in place, through agreement with the Chair, an annual Senior Leadership Programme of meetings between the Chair and the plc and business entity's Directors and Board, and to include regular attendance, as Observers, of Executive and Sufficiently Independent Directors at ISG meetings.

The Chair will attend meetings with Ofgem and other stakeholders, as required, and will report back on these meetings to the ISG. The Chair will also maintain working relationships with other ISG Chairs to encourage the sharing of good practice and learning.

### **5. Technical Secretary**

NGET shall provide the Technical Secretary for the ISG. The Technical Secretary shall support the Chair in ensuring the smooth functioning of the Group. The Technical Secretary shall act as an independent support for the Chair and the Group, ensuring arm's length interactions with wider NGET employees and observing the need for confidentiality of closed ISG discussions and communications.

The Technical Secretary shall make all materials available to the ISG members in accordance with these Terms of Reference. The Technical Secretary will receive notices of absence and shall be responsible for producing the minutes and actions in accordance with these Terms of Reference.

The Technical Secretary shall provide support to the Chair and ISG in the drafting and production of the Group's agreed reports and outputs.

The Technical Secretary will work with the company to ensure that the ISG has an independent website and that the website is kept fully up to date.

In conjunction with the Chair, the Technical Secretary shall ensure that thorough onboarding, updated and refreshed as required, is put in place for Group members.

### **6. ISG Members**

Members of the ISG are responsible for scrutinising and providing input and expert challenge to NGET. Members shall represent the interests of their constituency, not their company, as independent individuals and on the basis of their experience and knowledge.

In practice, this means individual members will:

- Bring their expertise, new insights and engagement skills.
- Consider and review all documentation referred to the ISG.
- Sign on to an agreed programme of work/forward agenda for the ISG. This will be discussed and adjusted with agreement from the ISG as requirements change or are further understood.
- Be required to formally approve the ISG's Terms of Reference.

Members shall be appointed by the Chair and for a minimum of two years.

Reflecting best practice in corporate governance, every effort will be made to stagger or refresh terms of office to ensure the necessary continuity to allow the ISG to deliver its remit effectively.

Members shall make every endeavour to attend all scheduled meetings. Apologies should be submitted to the Chair and Technical Secretary in advance of the meetings.

Members shall advise the Chair of any change in their circumstances at the earliest available opportunity.

## **7. ISG Outputs**

The ISG will agree an annual work programme which will be produced at the start of each business planning year

ISG outputs will be process- and issues-driven. The Group will identify, and review annually, a clear set of criteria, metrics and performance measures by which it can both hold NGET to account and assess its own effectiveness. At the start of each year, the Group will agree its plan for outputs to be delivered and published during that year. This may be subject to review and change during the course of each year.

The User Group will maintain a Challenge Log. A challenge area is defined as a high-level theme arising from the agreed forward work programme and/or the draft business plans. The key challenge(s) within each area will be reflected in a clear narrative setting out the Group's expectation(s) of NGET and why. The content of the Challenge Log, the NGET response and a RAG status will be continually reviewed by the ISG. The default assumption is that the Challenge Log, redacted appropriately, will be published on the ISG Group website.

## **8. Governance**

### **8.1 Confidentiality and conflicts of interest**

All ISG members must sign an agreement containing undertakings on confidentiality and conflicts of interest. NGET will provide the agreement for signature in advance of the first meeting any new member attends. Any potential conflicts which arise following appointment of members should be identified to the Chair at the earliest opportunity. Following his/her appointment, the Chair should identify to NGET, at the earliest opportunity, any potential conflicts which arise.

The primary function of the ISG is not to provide direct advice or information to NGET. Therefore, if NGET requires advice from an individual member of the Group in another capacity and/or due to their specialist expertise or organisational background, this will be done in an extraneous capacity and the ISG Chair will be kept informed. Being a member of the ISG does not mean individuals cannot partake in engagement activities carried out by NGET either as an individual or as a representative of their organisation.

### **8.2 ISG Meetings**

The Chair is responsible for approving ISG meeting agendas. The agenda and all associated papers shall be circulated by the Technical Secretary to all attendees not less than seven working days ahead of the meeting date.

At the beginning of each meeting, the Chair shall ascertain, with the assistance of members, the existence of any conflicts of interest or business separation issues arising from the

agenda. Declarations of such conflicts will be recorded in the minutes of the meetings. The agenda and the meeting will be managed to ensure that these issues are managed appropriately and so that affected members will not participate in that part of the agenda, if the Chair deems this appropriate.

The agenda will be based on the agreed forward work programme. The Chair has the right to refuse to list an item on the formal agenda, but, prior to the meeting, members may raise suggested agenda items to the Chair and also raise additional items under 'Any Other Business' with the advance agreement of the Chair. Items raised without advance notice will be subject to the agreement of the Chair on the day, and as time permits.

The standard agenda will include time for closed sessions with members, without NGET representation.

The expectation is that, following robust discussion and challenge, the ISG assumes collective responsibility for its decisions. Members may request that any disagreement or differing views from the agreed decision be recorded in the minutes. In areas of disagreement, and as a final resort, the Chair will assume responsibility for the final decision. This may result in a vote, if the Chair deems this appropriate.

Due to the subject matter, the meetings are not open to the public.

### **8.3 Minutes & Actions**

The minutes and actions of each ISG meeting shall be prepared by the Technical Secretary.

Full copies of the minutes and actions, including attachments, shall be provided for comment to all ISG members, after being approved by the Chair, no later than seven working days following each meeting. Members should endeavour to provide comment on the accuracy of the minutes as soon as possible following circulation.

At the beginning of each meeting, the Chair shall seek approval from the ISG that the minutes and actions from the previous meeting are a fair reflection of the discussions which took place.

The Technical Secretary shall ensure that the list of action items is annotated with progress milestones and required completion dates.

Appropriately redacted minutes of open meeting sessions shall be published on the ISG website within ten working days of the meeting where they have been approved by the Group. The published minutes shall anonymise or redact any personal and/or commercially sensitive information.

### **8.4 Meeting frequency**

The ISG shall meet as scheduled, broadly following a timetable of once every two months. The schedule of meetings will be agreed by the Chair, as far in advance as possible, taking account, where possible, of members' availability to enable quoracy and participation. Chair approval is required for changes to agreed meeting dates.

### **8.5 Quorum Requirements**

In order for the ISG meeting to be recognised as an authorised meeting, and for any recommendations or decisions to be valid, a quorum must be present. A quorum shall be defined as a minimum of four ISG members and must include the Chair, or the Acting Chair.

The expectation is that regular meetings should be attended in person where at all possible, although conference call facilities will be made available if required.

#### **8.6 ISG Charter**

These Terms of Reference are supported by an ISG Charter, signed by members, setting out the Group's Objective, Purpose, Success Criteria and Ways of Working. The Charter also includes the Group's commitment to abide by a Code of Conduct based on the Nolan Principles of Public Life.

#### **8.7 Managing Risk(s)**

The ISG shall maintain a Risk Register, subject to regular review, which will focus proportionately on the Group's governance and process arrangements.

#### **8.8 Gifts and Hospitality**

The ISG will not accept any gifts offered by NGET and shall maintain a Hospitality Log. Where hospitality such as hotel and meal bookings is provided by NGET and not reimbursed according to the agreed expenses claims policy, ISG Members are responsible for the timely notification of receipt of this hospitality to the Technical Secretary so that the Group's Hospitality Log can be updated.

#### **8.9 Social Media Guidelines**

The ISG Group will adhere to its agreed guidelines of the use of social media.

#### **8.10 Periodic Review of Effectiveness and Independence**

The independence of the ISG from NGET Grid is critical to its role and effectiveness. The Group will conduct an annual review, which may be done by a third party, of its governance arrangements, its independence and its wider effectiveness. The ISG will also keep itself up to date with the latest relevant Ofgem guidance.

#### **8.11 Transparency**

On the assumption of openness, these Terms of Reference and all associated governance documents will be published on the ISG website. Matters of exception in relation to personal information will be agreed by the Chair in discussion with the ISG and/or relevant individuals and in adherence with data protection requirements. Matters relating to NGET commercial confidentiality will be agreed by the Chair in discussion with NGET.