

**SPEN:
The
Establishment of
a Customer
Engagement
Group for RIIO-
ED2**

The Establishment of a Customer Engagement Group

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1. ABOUT SP ENERGY NETWORKS

SP Energy Networks (SPEN) is owned by ScottishPower, part of the Iberdrola Group, one of the world's largest integrated utility companies and a world leader in wind energy. ScottishPower is the first integrated energy company in the UK to generate 100% green electricity, investing over £4m every working day to make this happen.

As a monopoly business, SP Energy Networks is regulated by the Office of Gas and Electricity Markets (Ofgem) through price controls. The next Price Control is called RIIO-ED2 which starts in April 2023 and finishes in March 2028. RIIO stands for Revenue = incentive, innovation + outputs.

Price Controls set the amount of revenue each network company is allowed to recover over a set period in return for efficiently running and operating the electricity networks, demonstrating good performance in achieving set outputs and other incentivised areas, and harnessing innovation.

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2. OFGEM'S EXPECTATIONS

2.1 The SPEN Customer Engagement Group

Stakeholder engagement is a vital component of SP Energy Networks' business, helping the company to take informed decisions and better understand what the future of the energy industry in Great Britain (GB) might look like.

As part of its Price Control Review for Electricity Distribution (RIIO-ED2) the regulator Ofgem requires each of the six Distribution Network Operators to establish a Customer Engagement Group (CEG). See' https://www.ofgem.gov.uk/system/files/docs/2020/07/ed2_enhanced_engagement_guidance.pdf

The purpose of the CEG is to provide expert challenge and input on whether SPEN's business plan for RIIO-ED2 addresses the needs and preferences of current and future customers and stakeholders.

The CEG serves as an additional layer of scrutiny to SPEN's business plan.

2.2 The role of SP Energy Networks

SPEN will be expected to ensure the effective working of the CEG, including all steps from the planning and set-up of the group to putting in place appropriate governance arrangements. Specific requirements include:

- Setting up the CEG, ensuring all licensed areas are covered (e.g. through regional sub-groups), and provide secretariat and administrative support, as well as sufficient funding to the group. This will include:
 - The recruitment of an independent Chair and remuneration of the Chair and all members
 - Assisting the CEG Chair in the recruitment of the CEG membership
 - Travel and meeting costs
 - Induction and on-boarding packages for the group
 - Any other resources that are required for the effective running of the group
- Providing results and evidence from its stakeholder engagement activities to the CEG demonstrating that customers' views and needs have been sufficiently addressed in its business plan
- Ensuring the Group has access to relevant data including information on past performance, total expenditure (totex) forecasts and out-turn performance (and reasons for the variation)
- Providing the Group with access to comparative data from other network companies and other background data to inform the Group's decision making
- Granting the group timely access to SPEN staff and ensuring through governance arrangements that the SPEN Board and other relevant stakeholders are fully engaged with the group
- Ensuring the business plan is made available with a reasonable amount of time for the Group to review and comment on, before the business plan is submitted to both the RIIO-2 Challenge Group and to Ofgem
- Issuing external and internal communications on behalf of the CEG to ensure stakeholders are kept up-to-date throughout the RIIO-ED2 business planning process. All materials will be approved by the CEG Chair and/or the CEG membership prior to publication

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2.3 The role of Ofgem within the wider RIIO-2 price control process

Ofgem will continue to enable and encourage SPEN to deliver high-quality customer engagement throughout the RIIO-ED2 planning period. Ofgem will facilitate the challenge from the CEG provided to SPEN through the following activities (but not limited to):

- Organising regular meetings with CEG Chairs to share information and learning
- Providing a point of contact for the group Chair and be available for engagement
- Maintaining and updating guidance on the RIIO-2 process
- Providing guidance to the CEG on the required content of its report
- Establishing the RIIO-2 Challenge Group, including Chair and member recruitment, secretariat support and governance processes
- Identifying and sharing CEG best practice

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3. WORKING PRACTICES

3.1 SP Energy Network's contribution

Throughout the business planning period, SPEN will convene regularly with the CEG, usually once a month to discuss any proposals and to seek review and challenge from the CEG. ED-2 workstreams within SPEN will have the opportunity to share materials and engagement plans and outputs with the CEG for comment. To do so effectively, SPEN will dedicate sufficient time to the following activities:

- Participating in CEG meetings and meeting formally with the group
- Preparing materials for CEG meetings
- Circulating materials to the CEG for review and comments
- Collating the minutes and the formal challenge log after each meeting

SPEN will also meet with CEG representatives individually when deemed necessary or conducive to its effective working.

3.2 SP Energy Networks Team

As part of the CEG meetings, the following key groups from within SPEN will contribute to the meetings:

Stakeholder Engagement Team

The Stakeholder Engagement Team will be responsible for managing the relationship with the CEG members and for collating the minutes, challenge and action log. They will be in attendance at all CEG meetings other than regular 'closed' sessions when the CEG will meet without any SPEN representatives present.

ED-2 Project Team & Workstreams

The ED-2 workstreams will feed into the CEG meetings at relevant time points dependent on their Engagement Plans. They will attend CEG meetings when required, to enable the CEG to review the engagement activities they have undertaken with stakeholders.

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4. THE TERMS OF REFERENCE OF THE CUSTOMER ENGAGEMENT GROUP

4.1 Responsibility for the CEG's ToR

The CEG has drawn up its own Terms of Reference in a separate document. The Terms of Reference have been developed and approved by the CEG Chair and CEG members and acknowledged by relevant stakeholders at SPEN.

4.2 Reviewing and amending the ToR

The CEG will review its Terms of Reference and the effectiveness of the Group every 12 months to ensure they are up-to-date with progress that has been made by the Group, its current way of working and any changes to the process or guidance.

If any member wishes to propose that the TORs are amended, the proposal should be raised with the Chair. If the Chair considers it is necessary to amend the Terms of Reference, before they are ordinarily due for review this should be communicated to the Secretariat so that the matter can be considered and decided upon at a forthcoming CEG meeting

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5. THE SP ENERGY NETWORKS BOARD

SPEN accepts its obligations to establish and facilitate a Customer Engagement Group as required by Ofgem and outlined in this document. The company's Board is expected by Ofgem to be fully engaged with the the Customer Engagement Group and this requirement is hereby reflected in these governance arrangements.

The SPEN Board will ensure that the CEG has sight of the final business plan with a reasonable amount of time for the Group to review and comment on it before the business plan is submitted to both the RIIO-2 Challenge Group and to Ofgem