

TERMS OF REFERENCE V.1

December 2018

1. INTRODUCTION

These Terms of Reference (TOR) for Cadent's Independent Customer Engagement Group (CEG) have been developed by the CEG, agreed by Cadent, shared with the energy regulator Ofgem, and published on the [CEG website](#). They have been created having considered good practice cross-sector learning on customer challenge groups/panels. This TOR outlines the intended role of the Group up until end December 2019.

2. BACKGROUND

The next round of RIIO price controls for Gas Distribution (RIIO-GD2) will run from 1 April 2021 - 31 March 2026.

Ofgem's objective for RIIO-2 is to ensure that regulated energy network companies deliver value for money services that both existing and future stakeholders value. This includes decisions which support the transition to the low carbon energy system and meet the needs of those in vulnerable situations including households on low incomes.

To strengthen the stakeholder voice in the process of setting price controls for monopoly energy network companies, Ofgem has required all gas distribution companies to set up a 'Customer Engagement Group'. These groups are intended to help:

- Put stakeholder needs at the heart of network company's decision-making by improving the quality of their engagement
- Improve the overall quality of the business plan and ensure it is better aligned to current and future customer needs and preferences
- Support Ofgem's assessment of the RIIO-2 business plan
- Enable more flexible regulation and business plans that better reflect local contexts.

Guidance on these groups, their membership and focus is outlined in its [RIIO2 Enhanced Stakeholder Engagement Guidance \(March 2018\)](#) and is expected to be further developed over the course of the next year.

3. CEG ROLE

The CEG's primary role is to provide independent scrutiny and challenge to Cadent and independent views to Ofgem on the degree to which Cadent's business plan considers and addresses the interests (needs and preferences) of its current and future stakeholders.

These independent views will take the form of a Report that will be submitted to Ofgem alongside Cadent's business plan in December 2019.

While not the Group's primary role:

- The CEG may advise the company where such feedback can help to deliver better outcomes for stakeholders. Where advice is given, to ensure independence, this will be recorded in the minutes and also made clear where appropriate in the Report to Ofgem so that it is transparent.
- The CEG may have an advocacy role e.g. responding to consultations and raising issues with Citizens Advice and Ofgem, where this activity has the potential to deliver better outcomes for stakeholders or result in the more effective working of the CEG.

4. DEFINING 'CUSTOMER'

Ofgem in its various guidance documents uses the words 'customer, consumer and stakeholder' largely interchangeably.

For the purpose of the CEG role, the 'customer' reference in the title of the Group is a short-hand for the following current and future stakeholders:

- *Customers* - those who pay for using the gas distribution network. Customers may be businesses, third sector not for profit organisations, or individuals who use the network with whom Cadent has a direct financial relationship. They may also be customers, who pay for the network indirectly as a part of their wider energy bill or service;
- *Consumers* - those who use but may not pay for the energy they benefit from e.g. non-bill payers within a household;
- *Citizens* - members of society who are directly or indirectly impacted by the company's activity;
- *Organisations or communities* that are effected directly or indirectly by Cadent's activities e.g. by road works or its activity as a local employer.
- *Public interest* - collectively citizen and community interests reflect the 'public interest' e.g. reducing carbon emissions, minimising pollution or ensuring safety should benefit all citizens, while ensuring affordability can have wider public benefits such as improving health and social well-being.

5. SCOPE

As a minimum (but not limited to), Ofgem stipulated in its March 2018 Guidance that the CEG will challenge the Company in the following areas:

1. Its overall business plan priorities and approach
2. The quality of Cadent's stakeholder engagement, including views on whether the business plan proposals demonstrate value for money and are acceptable to customers. Also the degree to which their proposals reflect their research and engagement findings, including on willingness to pay research
3. The range and quality of services including the approach and support provided to households in vulnerable situations, including those who are financially vulnerable.

4. The company's proposed outputs and associated total expenditure ("totex") budgets (including level of cost efficiency improvements).
5. Investment options considered - including from parties offering alternative and non-network based solutions
6. The company's approach to innovation, including incorporating innovation into business as usual where appropriate, and including relevant innovative approaches and initiatives, including those examples from outside GB
7. The future of gas including but not limited to the range of scenarios the company has considered to anticipate future stakeholder requirements and the company's approach to managing uncertainty and associated risks and the future energy transition. This includes testing the business plan against more extreme scenarios (both significantly lower and higher) to ensure the business plan remains robust to unforeseen changes and challenges
8. Any issues of particular relevance to Cadent's local regions including any significant investment choices in their area and provide challenge to decisions made by the company when considering competing interests and perspectives.

In addition the Group is able to comment on:

9. The culture of the company including how consumer centric, ambitious and innovative it is
10. The company's approach to responsible business including but not limited to fairness, the environment and sustainability.
11. Other areas in line with the Principles for Prioritisation below.

Further Ofgem guidance on the CEG scope is expected in 2018/19 and this TOR will be updated as appropriate to reflect any changes made.

6. PRINCIPLES FOR PRIORITISATION

To help prioritise the Group's activity and to maximise its effectiveness the CEG has developed its own high level '*Principles for Prioritisation*'. These principles will help guide where the Group will undertake greater scrutiny, or 'deeper dive' into the company business plan activities and will also help to provide transparency around the rationale for it focusing more on some areas than others.

	Principle	Detail
1	Ofgem requirements	The CEG's primary role for 2018/19 is to support Ofgem in setting its final RIIO-2 price determination. It will therefore prioritise those areas that the regulator explicitly requests that it focuses on. There may be times where the CEG disagrees with Ofgem and opts not to focus on certain areas, but it will explain the rationale for this and give Ofgem advance notice wherever possible of our approach. It may go beyond Ofgem's suggested minimum areas if the following

		principles (2-6) are met.
2	High stakeholder priority	If customer (as defined in section 4 above) insight indicates that an area is a high priority for stakeholders the CEG will consider if it should particularly scrutinise and challenge in that area.
3	Potential impact of Cadent decisions	The CEG will have a strong focus on customer (as defined in section 4 above) outcomes. The Group will prioritise activities that have the largest financial cost, including those that commit to long term expenditure (i.e. beyond the term of RII02- GD2). This involves considering the distributional impact of decisions on different stakeholders. It will particularly consider those areas where there is the greatest likelihood of risk and greatest opportunity to deliver benefit to current and future stakeholders. The CEG will consider not just the scale (numbers impacted) but also the depth of impact. For example, a particular decision may disproportionately impact a small group of customers resulting in significant detriment to them. Some impacts may be financial e.g. bill impacts, while others may be non-monetised such as influence how much the company is trusted, its legitimacy, customer convenience, satisfaction and experience.
4	Potential for CEG to influence	The Group will consider where the CEG can most influence the Company decisions and outcomes. For example it will not prioritise areas that are statutory where there is little scope to influence the approach. It may particularly scrutinise where Cadent is weakest relative to other companies in terms of its performance or where the company lacks the skills, experience or understanding so challenge may be particularly valuable. As part of the CEG on-boarding the Group discussed the company's SWOT analysis, and Citizens Advice and the Chair of the Cadent Stakeholder Panel also gave their independent views of the company and its performance to help inform where the CEG should prioritise. This informed our work plan. The CEG is mindful that some areas of weakness or gaps may only become apparent over time.
5	Where CEG is best placed to scrutinise and challenge compared to others	The CEG will consider where it is best placed to challenge and scrutinise the company compared to other organisations such as the RII0-2 Challenge Group, Citizens Advice, and Ofgem. While the regulator is happy for duplication between the different group's activity, given the time constraints and the need for efficiency, the CEG will endeavour not to duplicate but to complement the relevant activity of other organisations. This will require regular and open communication between the Cadent CEG and these entities.
6	Resourcing required versus likely impact	We will consider the resourcing required including time available relative to the potential benefits of focusing on an area to ensure it is practical to scrutinise an issue in the time available.

7. OUT OF SCOPE

- The CEG will not endorse or jointly own the business plans submitted by Cadent. The ownership of the business plan sits entirely with the Company.
- The Group does not have any decision-making powers. The Gas and Electricity Markets Authority (GEMA) will make the final decision on the price controls. Ofgem will consider views raised by the Group but is under no obligation to accept them.
- Ofgem has indicated that it will not be looking to the CEG to challenge Cadent's assumptions regarding its cost of capital, capital structure and financeability. However the CEG would be free to comment on related issues if it considered them relevant to its role as described in section 3 above.

8. AUTHORITY AND POWERS

The CEG is an independent Group. Its authority to carry out its duties as outlined in these Terms of Reference is given by the energy regulator Ofgem as part of its RIIO-2 approach and by the Cadent Board.

Cadent is not obliged to respond to all of the challenges and recommendations of the CEG. However, the CEG will document the Company's response and openness to challenge in its Report to Ofgem (see section 9 below).

The CEG may escalate issues to the Board if considered appropriate. Where this is the case, and the Board decides against taking action, it will provide its reasons in writing and these will be captured in the report to Ofgem.

9. REPORT FOR OFGEM

The primary output of the Group will be an independent Report to Ofgem which will be submitted to the regulator alongside Cadent's business plan in December 2019 and published on the CEG website.

The Report will outline the views of the CEG on Cadent's business plan in the areas outlined above in section '5 Scope'.

The Report will be written by the Chair, members of the CEG and a report writer. It will be 'regulator-facing' and this will be reflected in the language, style, content and structure of the Report.

A customer facing, stakeholder-friendly version of the Report will be produced alongside the main Report and published on the CEG website.

All members of the Group are expected to review and comment on the CEG reports. Some members will be allocated different parts of the Report to draft dependent on their expertise, availability and experience.

The Group will agree the approach to the reports, including the structure, with Cadent and if possible Ofgem. Ofgem is expected to provide formal guidance on the report to the regulator but this is not yet available.

In line with our 'no surprises policy' with Cadent (see section 27) the Company will be given the opportunity to respond to and comment on the draft CEG Report.

The Report will be an honest and balanced commentary including but not limited to:

- Views on the overall quality of Cadent's engagement assessed against a transparent framework
- The CEG's views on the degree to the business plans address the interests (needs and preferences) of its current and future stakeholders
- CEG's views on the choices the Company has made including how trade-offs have been explored and reflected in the development of the business plan
- How the Company has responded to challenges - any areas of agreement and disagreement with Cadent or outstanding challenges and recommendations
- Any areas where the Group provided direct advice or information
- The Group's recommendations on where the company is strong, weak, innovative, ambitious/stretching
- A list of any concerns that may want to be interrogated further by Ofgem or in the public hearings
- Any lessons learnt
- Any areas where CEG members have divergent views - the CEG does not need to have to have a uniform view.
- Any other areas where Ofgem requests comment.

A version of the draft Report and or high level messages are expected to be shared with Ofgem's Customer Challenge Group in October 2019 and to be submitted alongside Cadent's business plan in December 2019.

10. EVIDENCE BASE

The CEG Report to Ofgem will be as far as possible evidenced-based. We will draw on a range of evidence including but not limited to:

- **Minutes**
All meetings will be recorded. High-level minutes and the agenda will be published on the CEG website after each meeting. Full minutes will be published alongside the CEG Report to Ofgem by December 2019.
- **Challenge Log**
The CEG will keep a Challenge Log. A Challenge is defined as a recommendation to Cadent, in line with the role and remit of the CEG, for action that has the potential to result in a:
 - Change to the business plan
 - Change of policy and practice
 - Change to the culture of the Company

The Challenge Log will record among other information:

- The requested challenge

- The Company response including reference to any evidence of action
- The CEG view of the Company response

The Log will be reviewed at each CEG meeting. A challenge can be raised, with the agreement of the Chair in or outside of the main CEG meetings including in working group meetings. All challenges will be recorded in a single Challenge Log.

- **Action Log**
The CEG will also keep an Action Log. This records all other requests e.g. for information or administrative requests such as circulating reports.
- **Observation sheets**
When CEG members observe Cadent engagement activity they will complete a standardised observation sheet of that activity which will form part of its evidence base on the quality of Cadent's stakeholder engagement.
- **Referencing**
As appropriate the CEG will reference research, engagement materials and other reports, in addition to the Company's business plan and appendices. This includes any external assessment reports.
- **Email correspondence**
The CEG may also capture substantive email correspondence with Cadent or other parties.

11.WAYS OF WORKING

The CEG will carry out its scrutiny and challenge role outlined in section 3 via:

- **Main CEG meetings**
There will be regular meetings of the whole CEG where the Group will scrutinise the Company's approach. The CEG will seek to ensure that it hears from a diverse range of people from Cadent at all levels, and have external speakers where appropriate to ensure independent perspectives. The Group has developed a framework against which Cadent will present its business plan information.
- **Working groups**
The CEG may set up working groups to enable it to provide a higher level of scrutiny or 'deep dive' in certain high-priority areas. The areas will be determined in line with the Principles for Prioritisation in section 6. The role, membership, frequency and working of these groups may vary but will be outlined in their respective Terms of Reference as appropriate.
- **Site visits**
CEG members may undertake site visits organised by Cadent to better understand key parts of the business.
- **Bi-laterals and independent work**
If a CEG member has particular expertise in an area the Group may ask them to liaise directly with the Company and provide assurance in that area, of the

Company's approach.

- **Observation**
Members of the group may observe the Company's engagement activity including events, workshops and focus groups. This is to hear stakeholder views first hand and to evaluate if the Company's engagement approach is effective in practice. Members will be provided with a forward engagement programme and the Chair will agree and coordinate who will observe which engagement activities to ensure effective coverage of the key pieces of engagement activity and a proportionate approach.
- **Independent research**
Dependent on need, the CEG may undertake its own independent research or commission others to undertake activity.
- **Information requests**
The CEG can request information from Cadent. Individual questions are recorded in the Action Log. Substantive information requests that are likely to influence policy and practice are recorded in the Challenge Log. Both of these logs will be published on the CEG website in December 2019.
- **Review reports and news**
The CEG will review both internal and external communications relevant to its role, including but not limited to, from organisations such as Utility Week, Cornwall Energy, Citizens Advice, Ofgem, Local Enterprise Partnerships and regional energy hubs. Members have a responsibility to share information with each other which could aid the role of the Group.
- **External meetings and events**
With agreement of the Chair, members may attend external meetings and conferences on behalf of the CEG. Members attending events on behalf of the CEG will share any relevant information from the event e.g. slides and produce a concise meeting note for the CEG to support its activity. The Group will keep an Engagement Log to capture events and meetings attended.
- **Engagement with the Board**
To ensure effective communication between the CEG and the Board and to better understand: the vision and culture of the organisation; governance approach; and to press for improvements, board members will regularly attend CEG meetings by invitation. The schedule of Board attendees to CEG meetings will be published on the CEG website. The Chair will also meet with and present to the full Cadent Board to share the CEG views and update them on progress.

12. FORWARD WORK PLAN

The Group will develop a forward work plan to December 2019 in liaison with the Company. This and the schedule of meetings will be agreed by the CEG and published on the CEG website.

13. QUORUM

The quorum necessary for the transaction of the business for the main CEG shall be half of all independent members. In the absence of the Chair, the Chair may nominate a deputy to chair a meeting. If the Chair is unable to do so, the members may elect a chair for the meeting.

14. NOTICE OF MEETINGS

Meetings of the CEG, other than those regularly scheduled, shall be summoned by the Secretary of the CEG at the direction of the Chair.

Meeting dates, times and venues shall be advised wherever possible, no less than fourteen days in advance of the meeting. In exceptional circumstances, meetings can be called at shorter notice, at the discretion of the CEG Chair.

Unless otherwise agreed, an agenda of items to be discussed and supporting papers shall be forwarded to each member of the CEG and any other person required to attend, not later than seven days before the date of the meeting.

Any member may request an urgent meeting by contacting the Chair. The request should specify the purpose of the meeting, The discretion to allow such a meeting rests with the Chair.

15. STYLE AND CONDUCT OF MEETINGS

It is expected that:

- Group discussions will be robust and challenging but should always be conducted with civility and respect.
- All participants, both the Company and the members, contribute fully and candidly to all discussions.
- Members will work collaboratively with each other, listen and be open to challenge.
- Wherever possible the CEG will reach a consensus position. Where this is not possible the divergent views will be captured.

16. ATTENDEES AND OBSERVERS

Members of the Company including Board members will be in attendance at the meetings with agreement of the Chair. The Company will withdraw to allow the CEG to meet in private without any company representatives present.

Organisations other than the Company will attend meetings by invitation where this would facilitate the work of the Group.

In addition the Group may bring in additional experts for bespoke pieces of work e.g. to support the activity of the working groups, or visitors for particular sessions.

17. MEASURING AND REPORTING CEG IMPACT

It is the aim of the Group to be an exemplar Customer Engagement Group. To help deliver this objective and ensure the CEG is transparent, and as effective and cost efficient as possible, the CEG will:

1. Review the effectiveness of each meeting at the end of each meeting to constantly iterate and improve its approach.
2. Develop a vision of what success looks like and a framework for measuring CEG efficiency and effectiveness.
3. Report on the cost of running the group including but not limited to: members allowances, travel, subsistence, secretariat, recruitment, communication and administration costs.
4. Capture and publish its impact on a regular basis.

This impact assessment framework and reporting information will be reviewed and reported on at least every six months from January 2019 and published on the CEG website.

18. ROLE OF CADENT

Cadent will be responsible for:

- Recruiting a Chair that acts in an independent capacity (rather than representing a particular organisation or group of stakeholders).
- Ensuring the Group is appropriately resourced including providing the necessary secretariat support, a report writer, training and induction for Group members.
- Ensuring the Group has timely access to the information it needs to carry out its role effectively and efficiently.
- Marking whether any information it shares with the Group is restricted or sensitive and its status as regards to completion.
- Providing the Group with access to comparative data from other network companies and making other background data available to inform the Group's decision-making
- Ensuring timely access to staff at all levels of the organisation including Board members to enable the Group to perform their role.
- Sharing in a timely way substantive good news and bad news about Cadent's performance e.g. any feedback from Ofgem, stakeholders, or performance issues such as sizeable outages.
- Providing regular communications updates so the group are aware of Cadent in the news and issues raised by stakeholders such as Ofgem.
- Sharing information with the CEG from Ofgem and other relevant bodies in a timely way which is relevant to the working of the Group e.g. slides from stakeholder workshops.
- Ensuring the Group is able to review the full business plan in full at least twice before the plan submission to Ofgem in December 2019.

Ofgem has said it will take into account the level of support provided to the CEG in their assessment of the business plan and corresponding Report from each Group.

19. TECHNICAL SECRETARIAT

To ensure the efficient operation of the CEG, Ofgem requires that Cadent provide sufficient secretariat resource. Secretariat duties include but are not limited to:

- Development of the agenda in liaison with the Chair
- Liaison with the Chair to support the development of the forward work plan
- Organising CEG-related meetings including speakers and papers, room bookings and catering.
- Provision of papers to be circulated at least one week before the CEG meeting.
- Minute the proceedings and resolutions of all meetings of the CEG, including recording the names of all those present and in attendance. Minutes shall be circulated promptly to all members of the CEG for agreement after the meeting.
- Maintaining and updating the website and ensuring papers on the Egress system and online are up to date.
- Ensuring all members can access the documents they need for CEG meetings and the work they are undertaking on behalf of the CEG
- Maintaining and keeping up to date member biographies, declarations of interest, the Engagement Log and member attendance.
- Supporting the Chair in coordinating attendance at Cadent engagement events.
- Keeping the Challenge Log and Action Log up to date and following up on actions and challenges.
- Other administrative support as required e.g. contract management and updating, processing expenses, booking accommodation and travel.

The current technical secretariat is provided by Gemma Norton and Anne-Marie Clarke.

20. CEG CHAIR

The Chair must be selected according to their expertise and experience.

The Chair of the CEG is independent of all interests of the Company. He or she is not a representative of a particular organisation or group of customers so that they can focus on their role of being a strong and independent chair.

The independent Chair is recruited via open competition using a good practice recruitment and selection process, including national advertising and professional external recruitment.

The Chair will have a strong track record of demonstrating leadership at a senior level, with a record of challenging opinions, assumptions and vision.

A shortlist of chairs will be shared with and approved by Ofgem - this is to further ensure their independence and credentials.

To help ensure independence Cadent is not able to dismiss the Chair without first notifying both the members of the CEG and Ofgem. Ofgem will seek information on the reasons for dismissal, including through direct contact with the Chair and other members of the Group before the company proceeds.

If the Chair decides to leave the role they will notify Ofgem outlining the reasons along with complying with the terms of their contract.

Chair's duties

The Chair's duties include but are not limited to:

- Appointment of the CEG members in liaison with Cadent, Ofgem and Citizens Advice.
- The strategic approach of the Group
- Governance arrangements including to ensure transparency and independence
- Effective operation of CEG meetings including but not limited to:
 - Liaising with Cadent and CEG members to shape agendas and set the strategic direction for the Group
 - Facilitating the Group's meetings and discussions to make sure every Group member has a full and fair chance for:
- Communication with CEG members including working group chairs between meetings as needed.
- Liaison with Ofgem and wider decision makers as appropriate to ensure the effective functioning of the Group.
- Liaison with the RIIO-2 Challenge Group and other CEG Chairs
- Acting as a spokesperson for the CEG including providing statements to be included in Cadent's external communications.
- Wider external stakeholder engagement on behalf of the CEG to ensure a diversity of views and challenge are heard. The Chair may speak freely at public events (subject to commercial confidentiality) on the activity of the CEG.
- Liaison with and presentations to the Cadent Board
- Ensuring the timely delivery and submission of the CEG report to Ofgem.
- Other duties as per all members of the CEG.

In between meetings of the Group, the Chair will be the principal link between the Group and the Company but will ensure that all Group members are kept informed and involved.

21. MEMBERSHIP

The CEG has up to 15 independent members including the Chair. The current member names and biographies are published on the website and are available [here](#).

The members are selected according to their expertise and experience and must act in an independent capacity, not as an organisation's representative on the Group.

Appointment and dismissal of members is the responsibility of the Chair in liaison with Cadent and in accordance with member's contracts.

To ensure independence and transparency Citizens Advice and or Ofgem may be invited to join interview panels.

Vacancies are published on the Cadent website and promoted via press and social media, and given the specialist nature of the expertise required, via professional

networks. External recruitment consultants will be involved if these methods do not identify appropriately qualified candidates.

Ofgem will be notified as to the reasons for any change in membership. Should members decide to step down from their role, they must do this in accordance with the requirements of their contracts.

Appointments are made for a minimum period of up until at least the Ofgem final determination on the RIIO-2 business plan but allowing time for a post CEG review of the effectiveness of the process.

Composition of the CEG - expertise and experience

The CEG must provide robust scrutiny to Cadent. To achieve this, CCG membership will be carefully constructed to ensure that collectively members have the appropriate range of knowledge, skills, experience, and perspectives needed to perform their role.

The key areas of expertise and knowledge required are:

- Future of gas
- Sustainability and responsible business
- Innovation
- Fuel poverty
- Regulatory finance and price control policy
- Safety and engineering
- Cost assessment
- Infrastructure operation, planning and investment
- Stakeholder engagement
- Consumer research
- Customer service performance

Most members will have a breadth of knowledge relevant to the role, along with a depth of expertise in at least one or two areas.

The Group must include members with experience in the following areas to ensure the diversity of perspectives needed to effectively scrutinise its engagement activity and business plan:

- Shippers and/or wider industry
- Small and large business representation
- Consumers
- Community energy
- Community groups and third sector organisations
- Non-traditional business models
- Local/national government
- Future users
- Affordability and vulnerability
- Experience of different locations across Cadent's regions

All members receive induction training including as appropriate regarding gas distribution, Cadent's performance and approach, and the Ofgem RIIO-2 regulatory process.

22. REMUNERATION

Cadent is responsible for remunerating the Chair and CEG members. The Chair is contracted on a retainer basis (with a fee that is in line with Board Non-Executive Director fees). CEG members are paid a day rate which varies dependent on their skills and experience. The Chair and all members are reimbursed for all reasonable expenses incurred in relation to their membership of the CEG.

23. MEMBER RESPONSIBILITIES

- All members will act in an independent capacity and not represent the views of an organisation.
- CEG members should never substitute their views for stakeholder views.
- Members must comply with all appropriate policies including social media guidelines (see section 26 below), equality and diversity and health and safety policies.
- Members are responsible for undertaking appropriate preparation for each meeting including reading all the pre-read information.
- Members must maintain appropriate commercial, intellectual property and personal property data confidentiality, including in line with requirements specified their contracts. The Company will flag documents and information shared which is sensitive.
- All potential conflicts of interest must be declared as appropriate at the start of a meeting. A Register of Interests will be maintained and published on the website. This will be updated regularly the Secretariat. Members will be invited to declare any specific conflicts of interest arising at each meeting.
- Members of the CEG will be expected to attend the CEG meetings in person - deputies are not permitted.
- The CEG will take responsibility individually and collectively to ensure members have a good understanding of the main obligations, issues and priorities needed to carry out their role on the CEG.
- All members will support the Secretariat and Chair in complying with the Terms of Reference e.g. report attendance at meetings to keep the Engagement Log up to date; fill out observation forms for engagement events and review challenges and actions within timescales required.
- All members will ensure any challenges they have made or advice given to Cadent is captured in the Challenge Log and minutes.
- All members will work collaboratively, proactively sharing relevant learning and information.

24. INDEPENDENCE

It is important that the Chair and Group members and are, and are seen to be, independent of Cadent, particularly given the high level of contact between the company and members.

The following arrangements will be put in place to provide assurance that the Group is operating at arm's length from the company. The Group will:

- Have an independent Chair and members operating independently
- Enact the safeguards around the appointment and removal of the Chair as per section 20.

- Enact the safeguards around the appointment and removal of CEG members as per section 21.
- Hold a private session before and after each main CEG meeting without the Company present and hold private sessions in working group meetings.
- Actively seek outside perspectives to ensure a diversity of voices and seek to hear from a wide variety of staff at all levels across Cadent.
- Ensure members hold each other to account to ensure independence.
- Have, publish and keep up to date, a Conflicts of Interest and Register of Interests policy
- Capture and record where any direct advice is given to the Company.
- Require that Cadent Board members attend by invitation only.
- Take the steps below in section 25 to ensure transparency and accountability.

25. TRANSPARENCY AND ACCOUNTABILITY

The CEG will publish information on its role, membership and work on its website - <https://cadentgas.com/about-us/regulation/customer-engagement-group>

To ensure transparency, as a minimum but not limited to, the CEG will publish:

- This Terms of Reference
- Member biographies
- A member Register of Interests
- Agendas and high-level minutes of the meetings
- Member attendance records
- CEG impact as per section 17.
- Any CEG reports to Ofgem
- An Engagement Log documenting any meetings members have had with non-CEG members, related to the work of the Group

Full minutes and the Challenge Log along with papers from all the meetings will be published in by December 2019 on the CEG website along with the report to Ofgem outlined in section 9. This delay in their publication is to:

- a) Encourage a climate of trust between the CEG and the Company - enabling them to be as open as possible in the sharing of information without worry that this will unduly influence Ofgem's decision
- b) To facilitate maintaining commercial sensitivity of documents and proposals - particularly important given the competitive nature of the Ofgem assessment process.
- c) Ensure that CEG comments and challenges about Company plans and performance are not taken out of context.

26. COMMUNICATIONS APPROACH

The primary aims of CEG external communications to December 2019 are to provide:

- Transparency and accountability to external stakeholders on the work of the Group.
- Facilitate the sharing of information and good practice between the CEG, the CCG, Ofgem and other parties to support the aims of Ofgem's approach to enhanced engagement.

The CEG does not therefore intend to be proactively customer or consumer facing in 2018/19 and will not have a dedicated social media presence on Twitter, Linked In or Facebook.

The CEG will have a web presence on the Cadent website which will be updated at least monthly and contain the information that this TOR says will be published.

Individually, the CEG members can and are encouraged to do short blogs (on LinkedIn for example) on the work of the CEG, but being mindful to adhere to the social media guidelines.

27. RELATIONSHIP BETWEEN THE CEG AND CADENT

The CEG will:

- Operate a 'no surprises policy' openly sharing any concerns with Cadent e.g. about performance or engagement with as much time as possible for the Company to address issues.
- Be constructive in its scrutiny and challenges - listen and be open to feedback.
- Be robust, ambitious for stakeholders, challenging but always conduct itself with civility and respect for each other and for Cadent.
- Respect that many documents provided may be early thinking and reflect that in our approach and any conclusions drawn

Cadent will:

- Be transparent and provide as full and open information as possible to enable the CEG to perform their role.
- Be open to challenge, scrutiny and change.

28. RELATIONSHIP WITH CADENT'S STAKEHOLDER ENGAGEMENT PANEL AND WIDER ENGAGEMENT ACTIVITY

For the avoidance of doubt, the CEG is not a substitute for Cadent engaging with its wider customers, and CEG members must not substitute their views for the views of stakeholders.

A key role of the CEG is to independently scrutinise the company's overall engagement approach and ensure it has taken the diverse views of its different 'customers' and stakeholders (as defined in 4 'Defining Customer') into account in its business plan decision making.

Cadent is responsible for designing and running its own programme of engagement with their stakeholders and demonstrating to the CEG that they have done it well.

The Company will likely need to weigh up and trade off different and sometimes competing views from its engagement and research activity.

There have been questions raised as to how the role of the CEG compares to Cadent's existing Stakeholder Engagement Panel. The Panel is an important vehicle for stakeholders to share their views and input into Cadent's decision making process. It is made up of members who specifically advocate on behalf of their respective organisations and constituency groups.

The CEG's members by contrast are independent. Its role is to scrutinise all of the Company's engagement activity. This will include the extent to which the Panel's views are considered by Cadent, but will also involve the Group looking at the Company's wider engagement activity. The CEG will need to scrutinise how Cadent has balanced and weighed a wide range research and insight e.g. understand how the Panel's views have been balanced against more quantitative research and third party insight and how this has informed their business plan.

To ensure the diverse views of the Panel are reflected in Cadent's business plan alongside the insight from wider research, the independent Chair of the Stakeholder Panel, currently [Mike Foster](#), is a member of CEG.

RELATIONSHIP WITH THE RIIO-2 CHALLENGE GROUP

As part of its enhanced engagement approach Ofgem has established a RIIO-2 Challenge Group (CCG). This Group will look at the business plans proposed by the companies in transmission and distribution including Cadent and will operate in parallel with the CEG.

There is overlap in the scope of the CEG and RIIO-2 Challenge Group. While Ofgem is comfortable with this duplication of scrutiny activity, given the resource constraints on both the CCG and the CEG, and Cadent, the CEG will seek to liaise with the CCG to minimise duplication between the groups and maximise our respective effectiveness. To support this:

- The CEG Chair will meet regularly with the CCG Chair, and its members as appropriate, to explore the best approach;
- The CEG and CCG forward work programmes will be shared.

GOVERNANCE

The CEG shall be responsible for periodic reviews of its performance and, at least annually, review its Terms of Reference to ensure it is operating at maximum effectiveness. Changes can be recommended by any CEG member, Cadent or Ofgem and will be agreed by the CEG and Cadent.