

**Independent Customer
Engagement Group
(CEG):
High Level Minutes**

**Wednesday 25th September
2019**

Attendees:

CEG Chair: Zoe McLeod (ZM)

CEG Members: Helen Fleming (HF)
Mike Foster (MF)
Simon Griew (SG)
Dr Kerry Mashford (KM)
Victoria Pelka (VP)
Martin Silcock (MS)
Leslie Sopp (LS)
Janet Wood (JW)

Apologies: Rish Chandarana (RC)
John Kolm-Murray (JKM)
Ian Rowson (IR)

Cadent Staff: Mark Belmega (Director of Customer Strategy) (MB)
Richard Court (Director of Regulatory Strategy) (RCo)
Dave Moon (Director of RIIO2) (DM)
Gemma Norton (Stakeholder Engagement Manager) (GN)
Chris Rison (Director of RIIO2 Deliverability Strategy) (CR)

Cadent staff supporting specific agenda items:
Stuart Easterbrook (Future Gas Strategy Manager) (SE)
Howard Forster (Chief Operating Officer) (HFo)
Ian Glover (Environment Manager) (IG)
Colum Goodchild (Asset Strategy & Investment Manager) (CG)
James Harrison (Director of Operations, London) (JH)

Cadent Board: NA

**CEG
Report Writer:** Alison Ward (AW)

Secretary: Anne-Marie Clarke (AMC)

These high level minutes provide an overview of the thirteenth session held on the 25th September 2019 (the **Meeting**).

The use of the word Cadent and Company are used interchangeably and refer to Cadent Gas Limited.

Welcome, declaration of interest and independence statement

The Meeting began with the Chair, Zoe McLeod (ZM) reconfirming to the CEG members that the CEG was formed of independent experts acting in an independent capacity, the CEG operated in a fair and balanced manner and behaved in a transparent way.

There were no additional or changed declarations of interests or declarations of hospitality received made by CEG members.

ZM and the CEG members held private sessions prior to each agenda item to prepare their questions and observations on the material presented for each agenda item.

MOBs (Multi Occupancy Buildings) outputs

The CEG raised a number of observations and questions during this session, including but not limited to around the themes of: strategy, activities proposed, engagement that informed the plan, ongoing engagement during RII02, optioneering and targets, environmental links, costs, CBS and Uncertainty Mechanism.

Key questions and observations were:

Theme	Question/Observation
Strategy	Are the two strategic objectives enough to make customers 'love' you in line with your vision? There are no commitments around reducing interruptions, particularly for London where this is a large number. This is at odds with customer feedback. Be clear on the use of the word 'vulnerable'. It would be helpful to show the plan on MOBs through RII02 and RII03.
Activities proposed	Please explain the rationale for the new work proposed for buildings with multiple occupants served by meter banks. Please expand on the innovation references and how it seeks to change customer outcomes. Please explain the modelling of the optimal approach to riser intervention. What is the plan for dealing with condemned appliances, identified through the survey programme?
Engagement that informed the plan	Clearly articulate how customer feedback has impacted your decisions. Will you engage with customers on cross-subsidising to deliver the MOBs outcomes?
Ongoing engagement during RII02	Please set out your engagement aims and engagement partners.
Optioneering and targets	Please clarify how options lead to targets, how you have framed these and benchmarked these.
Environmental links	What are the implications of recent national conversations on the routes to net zero, local energy plan, your EEP (Energy Exchange Programme)? There is a gap on information provided on horizon scanning and current work in this area.
Costs, CBS and Uncertainty Mechanism	How do you explain how your cost assessments show you are delivering your objectives in the most efficient way? What do you want to get rewarded for and how will this be managed? How will innovations reduce the costs?

Workforce resilience

The CEG raised a number of observations and questions during this session, including but not limited to around the themes of strategy and planning, the recruit and retain approach, engagement and ambition levels.

Key questions and observations were:

Theme	Question/Observation
Strategy and planning	What is the materiality of the challenges you have identified? It is important to place the workforce strategy in the overall context of the Cadent energy systems transition, the completion of the mains replacement programme, the move to a customer centric business, IT changes, stakeholder engagement etc. There is a risk you have not thought about the uncertainty going forwards and longer term needs.
The recruit and retain approach	Are your initiatives broad and diverse enough and proportionate given the size of your business?
Engagement	Where does Cadent benchmark to others, past, present and future? Do you have baseline views split by region considering brand recognition, attractiveness as an employer etc and can you measure this? What stakeholder engagement is there with relevant bodies eg trade unions?
Ambition levels	We need to see the quantification of our ambition through information on the starting and end points. It would be good to see a statement on optioneering, and seeing yourself in the bigger environment. How do you achieve your Business Plan without having people with different skills?

Resilient network and flexible capacity on the network

The CEG raised a number of observations and questions during this session, including but not limited to around the themes of: status of draft, engagement, costs, innovation and financial outcomes, decarbonisation / net zero, cyber security and data strategy.

Key questions and observations were:

Theme	Question/Observation
Status of draft	Will the Business Plan explain the three stage process for REPEX and asset health?
Engagement	What is the future engagement in this area? How does engagement driver your key priorities and what are the benefits to customers?
Costs, innovation and financial outcomes	The justification of key assumptions must link back to views on deliverability and quantity of work. Is there an independent assurance aspect being provided on this? What are customer attitudes to regional variation? On enforcement action, the challenge is that you have already been paid to do this work, but this hasn't been done and enforcement action has been taken. It would be helpful to explain this on an asset by asset basis. Please analyse the different insertion rate scenarios and present this in the Business Plan.
Decarbonisation / Net zero	You deliver what is expected, but there is no evidence you are preparing for longer term pathways of hydrogen, decarbonisation. When and how will you decide? Delivering activities with an enhanced service, is there a cost attached? The narrative needs to explain the cost/benefit case and customer engagement. It is important to link this to environmental outcomes.
Cyber security	The detail provided is generic. What was the decision making process behind your option choice? How will you manage your response to events? If customers are affected, who is the customer facing response?
Data strategy	There was new Ofgem guidance issued in September and the taskforce report. Where are you in the process of reviewing these? Have you thought about the big theme of open access collaboration? How much uncertainty is there going forwards? Is this an iterative process?

Environmental action plan (EAP)

The CEG raised a number of observations and questions during this session, including but not limited to around the themes of: stakeholder engagement, ambition, assurance, governance, reporting and transparency, cost management, efficiency and financial, Cadent business performance in carbon and other areas, and Energy Systems Transition and hydrogen.

Key questions and observations were:

Theme	Question/Observation
Stakeholder engagement including customer feedback and expert input	Who within the business is monitoring the policy on decarbonisation of heat and how are changes translated into business decisions? To flow through the organisation, this needs to be reflected in the strategy. You state there is a limited role for Cadent on engagement. How do you see engagement evolving, what is your engagement plan and how are you engaging with internal stakeholders? It is important to engage with expert stakeholders – what are your plans?
Ambition / assurance / governance / reporting and transparency	Please be clearer with your targets and benchmarking. It is important to know what to publish and timescales and to benchmark and receive comments from expert groups.
Cost management / efficiency / financial	Some metrics will have financial elements eg avoiding landfill tax.
Cadent business performance – carbon	There is information on reducing the carbon footprint of activities of own energy use but little on reducing demand. What innovations are there on leakage? How are you applying the innovation programme to deliver the EAP? Please be clear on the options and why you have made your choices? How have you considered the carbon footprint of your contractors? It was not clear to see the cost/benefits of the options. Please be clear on your offsetting narrative.
Cadent business performance – other areas	How transparent can you be with data and how are you benchmarking against other companies? How will you use data to take other steps? How can you use innovation and competition from continuous improvements?
Energy Systems Transition / hydrogen	You acknowledge four potential end states and your preference. It is about setting out the different pathways and when there may be critical decision points. In the EAP you are not stating what the triggers will be and what key government decisions are needed to allow you take this forward. On demand reduction, can you look at groups? Is there potential for competition on a hydrogen network? How do you see the issue of socialisation, moving from pilots to roll out more generally? You need to explore what the costs will be and what customers will eventually pay for.

Meeting review and next meeting

ZM held a private session with CEG members to review the open challenges and agree new challenges on the material presented. The CEG then held a planning session for their CEG report to the Customer Challenge Group on the Company's draft Business Plan to be presented in October.

ZM confirmed the next meeting would be held on 3rd October 2019.