

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

**Thursday 14th and Friday 15th
February 2019**

Attendees:

CEG Chair: Zoe McLeod

CEG Members: Rish Chandarana
Tony Diccico
Helen Fleming
Mike Foster
Simon Griew
John Kolm-Murray
Dr Kerry Mashford
Victoria Pelka
Ian Rowson
Martin Silcock
Leslie Sopp
Janet Wood

Apologies: None

Cadent Staff: Richard Court (Head of Regulation & External Affairs)
Dave Moon (Head of RIIO-2)
Debbie Mitchell (Stakeholder Strategy Manager)

Technical Secretary:
Gemma Norton (Stakeholder Engagement Manager)

Cadent staff supporting specific agenda items:
Stuart Easterbrook (Future Gas Strategy Manager)
Simon Fairman (Director of Safety & Network Strategy)
Ian Glover (Environment Manager)
Rob Mitchell (Operations Portfolio Manager)
Craig Neilson (Revenue and Pricing Manager)
Dave Tilley (DNCC Manager)

Cadent Board: Howard Higgins (Shareholder Appointed Director - Macquarie)
Steve Hurrell (Interim CEO)

**CEG
Report Writer:** Alison Ward

External: Hettie Farrell (Managing Director, Complete Strategy)

Secretary: Anne-Marie Clarke

These high level minutes provide an overview of the fifth session held on the 14th and 15th February 2019 (the **Meeting**).

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

14th February 2019

Meeting Governance, Member Updates and Cadent Updates

The Meeting began with the Chair Zoe McLeod holding a private members session with members of the CEG, after which Cadent representatives joined the Meeting.

Governance matters were considered including updated declarations of interest, approval of the prior meeting minutes and a review of the status of actions and challenges recorded on the relevant logs.

Updated interests were recorded as follows:

- ZM reconfirmed to the members her previously declared position as Associate at Sustainability First, noting the Meeting's agenda item referenced a Sustainability First project
- Rish Chandarana (RC) reconfirmed his previously declared interests through various positions working on environmental matters

The Meeting then received a number of updates covering:

- Chair updates on meetings attended in her role as Chair of the CEG, including attendance at a bilateral meeting with Ofgem on lessons learned from water sector Customer Challenge Groups and Ofgem Stakeholder workshop on the RII02 consultation.
- Member updates on meetings attended and matters of relevance to the CEG.
- CEG working group updates from Research & Insights, Vulnerability, Finance & Investment and Future Role of Gas.
- Cadent update on action take following the challenges raised by the CEG by the Chair to the Board of Directors of the Company.

Outputs: Approved minutes and status of actions and challenges.

A total of one challenge was raised during this section of the Meeting.

Business Plan Assurance – Principles & Approach

The Chair welcomed to the Meeting Steve Hurrell, interim CEO, and Hettie Farrell, Managing Director of Complete Strategy.

Following introductions, Steve Hurrell presented his views on the challenges faced by the Company. The CEG then received a presentation on the approach being undertaken for assuring the quality of Cadent's Business Plan.

The CEG raised a number of observations and questions during this session, including but not limited to around: how the Company will reflect the opportunity for upside potential in the Business Plan, the governance processes, costs, details and terms of reference of the independent assurance to be delivered and whether the CEG will have the opportunity to engage with the third parties. Utilising expertise within the CEG, the CEG agreed an action for a CEG member to provide a sense on the scoping of the assurance approach.

The Chair thanked Hettie Farrell for her attendance, who then left the Meeting.

Customer Bills – Getting your eye in on customer bills in RIIO2

The Meeting received a presentation from the Company providing an overview of the composition of customer bills and matters for consideration in RIIO2.

The CEG raised a number of observations and questions during this session, including but not limited to around: longer term bill profiles, impact of future energy scenarios, customers paying now versus later, considering the impact on a household's overall costs, connection costs for suppliers feeding gas in and the impact of inflation, interest rates and tax .

Outputs: A total of one challenge was raised during this section of the Meeting.

Innovation Assessment Framework

The Company provided the CEG with a brief explanation of the Energy Innovation Centre innovation assessment framework, and the Company's engagement with this.

The CEG raised a number of observations and questions during this session, including but not limited to around: the requirement for customer innovation and vulnerability to be considered, consideration of the qualitative benefits and how the measurement of innovation fits in to RIIO-2; the treatment of BAU innovation versus special projects; and the innovation culture within Cadent.

Summary of Cadent's Customer Outcomes

The Chair welcomed to the Meeting, Howard Higgins, Shareholder Nominated Director from Macquarie and Cadent representations supporting this agenda item.

Following introductions, the CEG received a presentation on the Company's Purpose, Vision and Values and a summary of the regulatory output measures. The CEG were asked to consider the Company's customer commitment to "Improving the environment and supporting the transition to a sustainable energy system" and were provided with an overview of the Company's work on making the business sustainable.

Following this, the Meeting held breakout sessions considering three areas:

- Supporting decarbonisation policy,
- Supporting the energy system transition, and
- Cadent's business impact on the environment.

Presentations from the breakout sessions were made to the Meeting covering a number of key themes raised by the Company including, but not limited to, clarity on engagement approach.

Outputs:

Summaries of CEG feedback on the Company's key themes for each of the three areas.

Actions and challenges: A total of one challenge was raised during this section of the Meeting.

Session insights & reflections including Q&A and meeting review

The CEG and Howard Higgins reflected on what he had taken away from the discussions on the outcome area. A question and answer session was then held, including but not limited to, around: Board management of decisions on outcomes from future policy, timing of investment decisions and trade-offs, investor returns and safety.

The CEG members discussed the effectiveness of the Meeting to identify further improvements.

Outputs: A number of actions to improve the efficiency of meetings.

Cadent representatives left the Meeting.

15th February 2019

The Chair reconvened the private members session at which the CEG discussed, amongst other matters, the CEG Assurance Report, CEG Impact/success criteria, Working groups Terms of Reference, Quality of Engagement, declarations of interests and Freedom of Information.

The Meeting then closed.

Outputs: Actions for the CEG.