

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

**Monday 8th and Tuesday 9th
October 2018**

Attendees:

CEG Chair: Zoe McLeod

CEG Members: Ian Rowson
Mike Foster
Janet Wood
John Kolm-Murray (Monday only)
Simon Griew
Martin Silcock
Leslie Sopp
Tony Diccico
Victoria Pelka
Rish Chandarana (Monday only)

Apologies: Dr Kerry Mashford
Helen Fleming

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

Technical Secretaries:

Gemma Norton (Stakeholder Engagement Manager)
Amy Brooks (RIIO-2 Engagement Advisor)

Cadent staff supporting specific agenda items:

Sally Laffar (RIIO-2 Engagement Manager)
Jahir Kashem (RIIO-2 Outputs and Uncertainty Framework Manager)
Sarah Bradford (RIIO-2 Strategy)
Dan Adcock (Customer Centre Manager)
Chris Train (CEO)
Simon Fairman (Director of Network Strategy & Safety)

SIA Partners: *Day 1 (11:15-12:00)*
Nye Gordon (Manager)

Traverse: *Day 1 (11:15-15:00):*
Amelie Treppass (Principal Consultant, Head of Utilities)
Killian Condell (Consultant: Consultation and Engagement)

These high level minutes provide an overview of the second session held on the 8th and 9th October 2018 (the **Meeting**).

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

Day 1

1. Private members session:

Zoe McLeod [ZM] and the group started the day with a private members session.

2. Review of minutes, actions and challenge log & updates from last meeting:

Cadent representatives joined the meeting. ZM confirmed the actions and challenges recorded from the last meeting and updates on outstanding actions were made accordingly. A group discussion took place regarding what was the aim of the challenge log and defining what a challenge is. Action was taken to discuss further in the private members session on Tuesday. As part of the general chair update, ZM advised that all of the CEG chairs are due to meet on Thursday 25th October.

3. Our approach to customer and stakeholder engagement:

Debbie Mitchell [DMt], Stakeholder Strategy Manager gave an introduction to Cadent's customer and stakeholder engagement ambition, and spoke about the objectives of the engagement in building Cadent's business plan for RIIO-2. DMt explained how Cadent have developed throughout the RIIO-1 period, being the first Gas Distribution Network (GDN) to have a Stakeholder Advisory Panel (SAP) and also the first GDN to circulate a stakeholder survey named: "Have Your Say". DMt also mentioned which areas Cadent have been focusing on as a result of engagement in RIIO-1.

Nye Gordon [NG], Manager at SIA Partners, explained how last year, he and his team were commissioned by Cadent to conduct a full gap-analysis of their stakeholder and customer engagement activities. To complete the analysis, SIA developed a detailed, external view of Cadent's performance, they then compared this performance against a broad benchmark of companies across the utilities industry, and beyond, to identify what Cadent should keep doing and areas for improvement. SIA provided to Cadent a set of recommendations.

DMt followed by describing Cadent's enhanced engagement strategy as a result of working with SIA, which centres around an iterative eight stage cycle.

NG then explained the new tools which have been developed to support each step of Cadent's engagement strategy, including the stakeholder segmentation tool, engagement proposal form and the Cost Benefit Analysis (CBA) / Social Return on Investment (SROI) tool, which allows Cadent to understand the Social Benefits of initiatives using standard proxies.

DMt went into detail around how Cadent's stakeholders and customers are segmented and understanding the impacts of the services Cadent provide, on both of these groups.

The group asked a number of questions, some of which are detailed below:

- What is driving the enhanced engagement strategy? Is it around the business philosophy to become more customer driven?
- Is the SIA review a fair assessment?
- It seems as if engagement is a bit separate to running the business, what about day-to-day engagement? Is that how it is seen by the regulator?

- How is information being converted into insights?
- What is the approach to triaging / prioritisation of decision making?

4. Our engagement plan:

After lunch, Sally Laffar [SL], RIIO-2 Engagement Manager, described the variety of sources which make up Cadent's evidence base for their business plan, a few examples included: business insights (customer satisfaction, complaints and enquiries data), Cadent's SAP, GDN collaboration work engaging national stakeholders and Cadent's annual consultation where stakeholders are asked to identify what is working well for Cadent and areas where improvement is needed.

Amelie Treppass [AT], Principal Consultant, Head of Utilities, and Killian Condell [KC], Consultant: Consultation and Engagement, from Traverse then presented on their engagement partnership with Cadent. They began by giving details of their company background, before explaining the approach taken to design the engagement plan, ensuring that it married up with Cadent's engagement strategy. They explained how the purpose of Phase 1 of the plan was for exploration, to gain insight into what stakeholders and customers:

- want, need and expect from Cadent as their Gas Distribution Network
- want to be engaged upon and how

Whilst the purpose of Phase 2 is to develop and test Cadent's understanding of customers' and stakeholders' thoughts and inputs on:

- the draft business plan as it develops
- the impact this will have on the customer bill
- and what success looks like

Then they went on to describe the customer and stakeholder groups Cadent will be engaging with, what the topics of engagement will be throughout the phases of engagement, how the engagement activities ensure the plan is best in class and how Cadent will know whether the plan is working.

KC gave a brief overview of the engagement delivery to date and what is still left to come during phase 1. He gave the finer details of each of the engagement activities, including the purpose, numbers of customers/stakeholders involved, how it ties in with Ofgem guidance and the best in class attributes of each. KC mentioned a few of the findings from customers so far, before the room was given the opportunity to ask Traverse some questions (of which have been captured in a separate document).

DMt then finished the session giving details of how Cadent are using the insights from customers and stakeholders together with insights from existing channels to triangulate the data to inform the business plan, along with explaining the next steps for Phase 2.

Some of the questions raised by members during this session included:

- You are using the terms customer and stakeholder interchangeably – are you using different engagement approaches for each?
- What's the reasoning behind the customer categories / samples chosen for each engagement event?
- The customer segmentation feels very traditional (there is nothing about customer attitudes, for example) – are Cadent going far enough?

- What engagement are you doing with staff?
- How are you framing the methodology to give an approach that is not biased?

A total of 11 challenges were made on engagement.

5. RIIO-2 Framework / developing outputs, outcomes and incentives:

Dave Moon [DMn], Head of RIIO-2, gave an overview of the key decisions from the Ofgem Framework Decision Document. He described how the Cadent outcomes map to those from Ofgem, also sharing Cadent's overview of current thinking for developing outputs and incentives for RIIO-2 and how similar this appears to be to the current view Ofgem have provided.

The members were then split into two groups for an interactive session. This included: understanding the key insights gained from customer engagement so far, the current thinking behind the measures, the Ofgem workshop focus and any possible incentives which may be associated. All questions, challenges and observations from members were recorded on post-it notes, and the members were asked for input on what they would like Cadent to provide and what good looks like to them.

Some of the key questions asked by the members during this session included:

- To what extent will Cadent go above and beyond the minimum across all performance areas?
- What expert stakeholders are Cadent engaging with on low carbon?
- What partnerships are Cadent forming with other utilities, Citizens Advice, charities etc. to identify vulnerable customers?
- How can Cadent forge a distinctive brand by taking forward key learnings from engagement, without waiting for what Ofgem says?
- Will Cadent lose focus on measures that will be removed as outputs / moved to internal reporting only?

A total of >10 challenges were made in this session.

Day 2

8. Introduction of Chris and members / an external perspective of networks

There were initial introductions from the group members and Chris Train, then Victoria Pelka [VP], Citizens Advice, presented on stakeholder engagement for RIIO-2 and what Citizens Advice are expecting from network companies. She spoke about the spaces there are for the consumer voice, the different levels of engagement there are and what methods and engagement topics were covered during RIIO-1 by network companies. For RIIO-2 VP explained how there needs to be a step-change, giving options for topics and questions to explore with consumers, what best practice methods can be used which haven't been used so frequently before and gave details of some useful case studies for people to make reference to.

9. A conversation with Chris Train, CEO:

Chris Train [CT], CEO of Cadent, began by giving an overview of the corporate structure. He then went on to explain the structure of the board, describing who makes up the Sufficiently Independent Directors (SIDs), the Consortium, National Grid and the Executive Directors. CT spoke about the board priorities and explained his ambitions and vision for Cadent and how the business is transforming to ensure it can deliver great outcomes for its customers. The members were then given the opportunity to ask Chris questions. Questions included, but were not limited to:

- How will the recent UN conference affect the business?
- Chris, what is the role of the CEG for you?
- Is there a clear strategy within the business for achieving a culture change? How do you weigh up the priorities? (Safety vs. Customer)
- Can you articulate the strategic role for the business having a relationship with customers?
- In the water sector, companies didn't want to engage so heavily on topics where customer and stakeholder views may not necessarily be listened to. What are yours/Cadent's views on such engagement topics?

10. Future role of gas:

Simon Fairman [SF], Director of Network Strategy and Safety, presented to the group around the future role of gas and the decarbonisation challenge. He detailed statistics which show that gas is a critical source of energy in the UK and spoke about how policymakers are addressing the challenge, including BEIS and Department for Transport. SF mentioned the 2018 Future Energy Scenarios and the strategy for decarbonising UK gas supply, which will be through reducing the carbon intensity of the network, by using bio-methane, bio-SNG, or hydrogen blend and progressively supplying 100% hydrogen to selected consumers such as, industry, for transport fuels and power. SF gave details of Hynet in the North West and what the ambitions are for the project, along with other hydrogen projects which are being looked at for the UK. The members then asked Simon any questions they had (of which have been captured in a separate document).

Richard Court [RC], Head of Regulation and External Affairs, followed this presentation by explaining what this means for RIIO-2 and the impacts there are upon Cadent's networks

and the plan, such as having to consider new entry connections, new exit connections, storage and compression, asset health and mains replacement etc. RC also gave a few suggestions for CEG focus areas in relation to the future role of gas.

Some of the CEG questions asked during this session included:

- What does the Hynet project look like for other areas within your network?
- How is Cadent helping organisations to realise their regional solutions?
- What is the practicality of getting to a 100% plastic network?
- How is Cadent influencing / debating carbon capture and storage?
- We always assume that cost is the primary decision factor, but would be interesting to hear actual consumer insights as to whether this is true.

A total of 3 challenges were made during this session .

11. Private members session:

After lunch the CEG held a private members session, to discuss the terms of reference and what the prioritisation and forward work planning looks like for the group.