

Confidential

Independent Stakeholder Group (ISG)

Terms of Reference
May 2024



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Background

The ESO RIIO-2 Stakeholder Group (ERSG) was set up in 2018 to provide scrutiny and challenge to our engagement approach as we developed our first Business Plan. The scope of this group was refocused for BP2 to provide stakeholder scrutiny and challenge around the contents/drafting of the business plans.

The group was wound down following final determinations in April 2023, with a view to reinstating engagement with the group once a plan for BP3 was in place.

We've since engaged with Ofgem about the future direction for our regulatory framework, given that as an FSO we will be a non-profit public organisation and there will be a shift in the relationship between us and Ofgem. We now have more clarity in this area (following Ofgem's [policy direction consultation](#) of December 2023). The proposals Ofgem are consulted on covered three time periods:

- FSO Day 1 (July 2024): Changes which will allow us to operate under a not-for profit regime, ensure that our performance assessment is incentivised appropriately across all activities (including new roles) and reduce reporting burden.
- April 2025: Wider changes to introduce a regulatory model that is more tailored to the FSO. Broader changes will be required to performance assessment, planning and reporting while continuing to make sure we are delivering on our major RIIO-2 commitments.
- April 2026: Potential additional changes introduced. The scope of these changes will be decided based on what is in place for April 2025 and what has been learnt from implementing these changes.

In July 2024, we intend to publish a document, which will outline a set of high-level strategic commitments, taking us out to April 2025. These will inform Ofgem's assessment of our performance during this period. Setting out an initial strategic commitments document will provide an example to Ofgem and other stakeholders of how such an approach could be taken forward for our future regulatory planning (April 2025 and beyond).

We are refreshing the existing stakeholder group with new members to replace retired members and additional members who can bring more of a whole energy system view to our work, to account for the FSO taking on new and enhanced roles. We will work with this stakeholder group to agree our strategic commitments and feed stakeholder views into the document produced for Day 1. Engagement for the enduring approach beyond April 2025 will be discussed with the group when appropriate, as discussions on the future framework become clear.

Purpose of the group

The group will be forward looking in its remit, bringing a stakeholder lens and constructive challenge to the development of our strategic commitments, both for Day 1 and future regulatory business plans. The group will provide:

- A stakeholder lens on our strategic commitments for Day 1 and future business plans
- Relevant experience and expertise in specific areas to help us develop our strategic commitments
- Constructive challenge of the strategic commitments proposed and whether they are the right areas of focus to deliver safe, reliable and secure energy while maximising benefits to consumers
- Advice on the level of ambition of our strategic commitments
- Feedback on the structure of future documents as they develop, in terms of accessibility for stakeholders (for example)

Membership

The revised group is representative of the FSO's role and the wider industry. Members are selected based on their expertise across a broad range of whole energy issues and their ability to provide constructive challenge.

Sector	Representative	Organisation
Generator	Stuart Cotten	Drax
Large supplier	Gregory Edwards	Centrica
Scottish TO/DNO	Aileen Mcleod	SSEN
DNO	Barry Hatton	UKPN
Existing service provider	Marko Grizelj	Siemens Energy
Supplier	Rachel Fletcher	Octopus Energy
Supplier	Elizabeth Allkins	Ovo Energy
Academic	Robert Lowe	University College London
Trade Body	Nina Skorupska	REA
GDN	Tony Green	SGN
Infrastructure (hydrogen, automotive)	Sam Mackilligin	Aecom
OFTO / Interconnector	Mark Fitch	Transmission Investment
Gas Transmission	Ian Radley	National Gas
Renewables, heat, transport, hydrogen	Rosie McGlynn	Mentone Energy Limited
Journalist, consumer	Janet Wood	New Power Report
TO (HND / CSNP)	Amanda Webb	National Grid
Wider interest (consumer, energy efficiency and sustainability)	Janine Michael	Centre for Sustainable Energy (CSE)
Large energy user	David Mitchell	Chemical Industries Association (CIA)
Academic	Goran Strbc	Imperial College London

The ESO will be represented by Fintan Slye (Director, National Grid ESO), Zoe Morrissey (Director of Legal and Regulation and Company Secretary), and Hannah Kruimer (Senior Regulation Manager) with additional ESO representation as required to support the meeting.

Membership can be reviewed by the Chair in consultation with the group and ESO from time to time and, if necessary, adjusted to ensure suitable representation from across the ESO's stakeholders or to add particular areas of expertise in accordance with the agreed purpose of the group.

Chair

Andy Manning will continue in the Chair role, having previously been appointed by the ESO in consultation with Ofgem. If a new Chair is required during the period to July 2024 they will be appointed in the same way. The Chair shall act as an individual and not represent any particular organisation.

If the designated Chair is not available for part or all of a meeting, then a formal nominee shall be agreed at that meeting with group members and will be responsible for convening and conducting the relevant meeting or section of the meeting. This will be facilitated by the Technical Secretary and be referred to as the Alternate Chair. The Alternate Chair is responsible for informing the Chair as to the salient points and decisions raised and agreed at the meeting.

The ESO cannot unilaterally dismiss the Chair without notifying first both the group and Ofgem. Ofgem will need to understand the exact reasons for dismissal and may seek further information, including through direct contact with the Chair and other members of the group, ahead of any dismissal.

Technical Secretary

The ESO will appoint a Technical Secretary who will report to the Chair. The Technical Secretary will support the Chair in ensuring the smooth functioning of the group. The Technical Secretary will act as an independent support for the Chair and the group, ensuring arm's length interactions with wider ESO employees. For the period up to July 2024, and because the Day 1 document is not a regulatory requirement, we will appoint a technical secretary from the Regulation team. This will be reviewed for any ongoing role for the group past this date.

The Technical Secretary will be responsible for producing and circulating relevant materials as described in the sections below called 'Inputs' and 'Outputs'.

Role of Stakeholder Group members

Members of the Stakeholder Group are responsible for scrutinising and providing input and expert challenge. While members don't formally represent all of the organisations in their sector, we expect members' views to be influenced by the type of organisation they are from, and their experience of a particular sector.

In practice, this means individual members will:

- Bring their expertise, new insights and engagement skills.
- Consider and review all documentation circulated.
- Identify areas of agreement and disagreement, and input into any feedback to Ofgem.
- Provide representation as an individual.
- Sign on to an agreed programme of work / forward agenda for the group. This will be discussed and adjusted with agreement from the group as requirements change or are further understood.
- Be required to formally approve the group's Terms of Reference (i.e. this document).
- Declare any relevant conflicts of interest

Commitment needed

Members of the group will serve from 15 April 2024 until the completion of the Day 1 document in July 2024. Members will be invited to review their ongoing membership of the group at this point.

Members must advise the Chair of any change in their circumstances at the earliest opportunity. The expectation is that all members will make every effort to attend all meetings. Any proposal to extend the commitment of the group will be discussed and agreed by the group.

As members should act in their capacity as individual, they are not expected to propose delegates/substitutes should they be unable to attend a meeting.

Meetings will take place approximately every two to three months, and timings for each meeting will be agreed in advance. A pre-read pack, requiring up to three hours of reading time, will be circulated to the group at least one week in advance of each meeting.

Meetings will ordinarily take place at a suitable location in central London and will be arranged by the Technical Secretary. Meetings may occasionally be moved to a different date, held at other locations or take place more frequently, after appropriate consultation with the group. To allow flexibility for attendees, all meetings will have an option for hybrid/virtual attendance. Members shall confirm notice of attendance or apologies of absence to the Technical Secretary no less than one week in advance.

Where needed, the group may agree to split into sub-groups to allow for more efficient working/deep dives. These would focus on topics that members have specialist knowledge in, based on their background, interests and industry sector. These sub-groups would lead the work and conversations on behalf of the wider group, providing scrutiny and feedback and giving regular updates during the main meetings.

ESO

The frequency and structure of the sub-group meetings will be agreed as necessary. They may take place at intervals between the main sessions or could include break-out sessions during the main meeting.

Remuneration

The Chair will receive remuneration to recognise the level of commitment required.

Requests for expenses and/or remuneration from other members of the group will be considered by the Chair and the ESO. Any remuneration and expenses that are agreed will be paid by the ESO.

Non-disclosure and declaration of interests

Each member of the group is required to sign a non-disclosure agreement (NDA) that prohibits the use of information marked as “CONFIDENTIAL” that they obtain in their role on the group for any other purpose (including commercial purposes).

Meetings shall be conducted, unless otherwise stated by the Chair or Alternate Chair (for example, where the discussion relates to information marked as “CONFIDENTIAL”), under “Chatham House Rules” – that is, information disclosed during a meeting may be reported by those present, but the source of that information may not be explicitly or implicitly identified.

Each member of the group is required to complete a Declaration of Business Interests form that requires them to disclose any business interests (including, but not limited to, shares, consultancy arrangements, directorships) that they or their partner or spouse have in National Grid plc. The Chair, in consultation with the ESO, shall consider any interests disclosed before making a final decision on the individuals’ appointment to the panel and/or to share any information with them.

Where there are individuals where there is an increased risk of a perceived conflict (such as individuals who work for an organisation that supplies services to National Grid) the ESO will, on a case-by-case basis, assess whether it is appropriate for that individual to be excluded from forming part of the team that bids for or supplies services to National Grid ESO.

At the beginning of each meeting the Chair and the group shall ascertain, with the assistance of members, the existence of any conflicts of interest. The agenda (including the participation of members with identified conflicts of interest in relevant agenda items) and circulation of materials will be managed to ensure that these issues are managed appropriately.

Presence of a quorum

At least eight members of the group, including the Chair or Alternate Chair, shall be required to constitute quorum for each group meeting, or part of a group meeting.

Inputs

For each meeting the Technical Secretary will produce a pack consisting of:

- Agenda and apologies for absence
- Minutes from the previous meeting
- Papers and other items for discussion, decision and noting (clearly demarcated)
- Actions log.

This pack will form pre-read material that will be circulated to the group at least one week in advance of each meeting.

ESO

A skeleton forward agenda will be agreed at the preceding meeting and finalised and approved by the Chair through iteration and approval of inputs. The agenda for the first meeting will be drafted by the ESO and approved by the Chair.

At the beginning of each meeting the Technical Secretary should confirm with the group whether the minutes from the previous meeting are an accurate and complete record of the discussion that took place.

Outputs

The Technical Secretary will circulate to the group the following materials no later than one week after each meeting, for comment:

- Meeting minutes including decisions made, items discussed and noted, and recommendations
- Actions log
- Skeleton agenda for next meeting.

The minutes should anonymise or redact any commercially sensitive information.