

Terms of Reference

Cadent Customer Challenge Group (CCG)

Background

Cadent has established a new independent Customer Challenge Group (CCG) to support the development of their RIIO-3 Business Plan, through expert review and independent challenge of the company's strategic decision making across multiple topics aligned to RIIO-3 priorities. This Group will be used to meet the expectation of Ofgem that the network companies establish groups to challenge their RIIO3 business plans.

The company is keen to use the group to both challenge their thinking and assumptions, but also bring external expertise and perspectives that are not found within its own business. To that end the initial areas that they are looking to focus on in the group are:

- Cadent's customer engagement and experience
- Customer Vulnerability
- Sustainability
- Data and digital
- Cultural change
- Skills and workforce planning
- Energy policy and transition

Coupled with this the company wants to ensure that the group is suitably informed, through insight provided by Cadent, and discussion and information shared between group members around energy policy, and can understand how to gain customer insight and trust.

In the context of the UK Government's Net Zero ambition the company is going to have to change rapidly from their current way of working and faces a number of challenges – not least whether there is an on-going role for natural gas in the UK energy mix, but also whether their networks can be repurposed for consumer, industrial and commercial hydrogen use.

Purpose of the Group

The Group will have a dual role. Firstly, to constructively challenge the company's thinking, plans and ambition and secondly to advise on policy, technical and operational aspects and ensure that the company is thinking more broadly than they would ordinarily do.

The members of the Group will "bring the outside in" to Cadent's decision-making process and give the company access to skills, knowledge and expertise that would not normally be held within a gas network business. The Group will also bring different perspectives to the company's decision-making process, act as a sounding board for Cadent's management team and identify new ways of working and intelligence from other sectors and technologies.

Where appropriate, the Group can help to promote strategic partnerships and engagement, with third parties, that would enhance strategic policy making and its

visibility for Cadent. The Group will also use their knowledge of the energy market, policy and regulatory environment, and consumer market more broadly, to inform strategic planning.

Scope

The scope of the Group will be relatively wide, and the topics covered may vary from time to time, depending on the challenges that the company faces and how the regulatory and policy environment shapes out. It is envisaged that the Group will look at the focus areas outlined above but may also consider regulatory and legislative consultations that are issued by Ofgem, the Health and Safety Executive and the Government.

A big focus for the company in the near term will be the use of hydrogen in the gas network and how customers can be engaged in a hydrogen future. In addition, there is a significant challenge of how to transform Cadent's business from a cultural perspective and ensuring that the new skills that are needed are brought into or nurtured in the business.

At the same time as the technological challenges for the company are manifesting, so too is the need to digitise the company's operations and embrace new technologies such as Artificial Intelligence and Machine Learning. This environment will bring increasing uncertainty to Cadent's workforce and therefore another consideration for the Group will be to assist Cadent in its review of its workforce resilience and operational readiness for data and digitalisation.

Appointment of the Chair

The Group Chair will be external to Cadent and be independent of the company, having the requisite skills and experience to manage a group of executive level members. The Chair will be expected to commit the time required to manage the Group, but also to interface with the company outside of the Group meetings, including meeting with the Cadent Board as and when necessary.

The Group Chair will also be expected to attend meetings with Ofgem, as necessary, and work with the Chairs of other network company's Groups when there is a need to do so.

Appoint of Members to the Group

Members will be appointed to the Group by the Chair, in consultation with the company. There shall be up to 10 members on the Group at any one time. Group Members will be a mix of individuals with the relevant and requisite skills and experience to consider the challenges that the company is facing.

The Group members will be expected to dedicate around 20 days to the Group per year, although this may flex during development of the company's Business Plan or in the event that the company is submitting Business Plan Re-openers and seeks input from the Group members.

Outputs Expected

The Group will be expected to develop a challenge log, which will be maintained by the company, to demonstrate how it has challenged the company's assumptions, plans and thinking. It will also ensure that minutes of the meetings held are an accurate record of how the meetings have been managed.

On an annual basis the Group will create a report of the work that they have been doing for publication on Cadent's website.

Cadent's Role

The company will help facilitate the Group and will provide secretarial support to arrange the Group meetings, agendas and to take minutes of meetings. In addition, the company will ensure that adequate orientation is provided to Group members, so as to give members an in-depth insight into Cadent's business, including risks, business plan commitments and challenges and key performance metrics. Cadent will also arrange site visits, where appropriate.

The company will also put in place a technical solution for sharing information between the Group members and ensure that presentation material is collated ahead of Group meetings and shared with Group members one week in advance.

Senior managers in the company will also be made available to meet with Group members, so that discussions and deeper dive sessions can be held to help with the "outside in" approach that the Group will look to engender.

Ways of Working

The Group 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. It will be constructive in its scrutiny and challenges, listening and being open to feedback. In doing so it will be robust, ambitious for stakeholders, challenging but always conduct itself with civility and respect for each other and for Cadent. This will include respecting that many documents provided may be early thinking and the Group will reflect that in its approach and any conclusions drawn.

In response, Cadent will be transparent and provide as full and open information as possible to enable the Group to perform their role, being open to challenge, scrutiny and change.

It is expected that Group discussions will be robust and challenging but should always be conducted with civility and respect to allow and encourage all participants, both the Company and the members, to contribute fully and candidly to discussions. Members will work collaboratively with each other, listening and being open to challenge, and wherever possible endeavor to reach a consensus position. Where this is not possible the divergent views will be captured.

The Group will develop a forward work plan, typically looking 12-18 months into the future, in liaison with Cadent.

Quorum

The quorum necessary for the transaction of the business for the main CCG shall be half of all independent members. In the absence of the Chair, the Chair of the Sustainability Challenge Committee shall be appointed to Chair the Group meeting.