

Appendix 4

WWU Customer Engagement Group

WWU CEG Terms of Reference

1. Background

- Stakeholder engagement is a core element of RIIO and having an understanding of stakeholder needs is at the heart of the way WWU runs its business.
- As part of RIIO-2 Ofgem are introducing different models of stakeholder engagement that involves both companies and Ofgem establishing groups that will challenge the business plans proposed by the network companies for the next round of price controls. In gas distribution this will be through a Customer Engagement Group (CEG).
- Ofgem hopes this will raise the bar for engagement and the quality of the business plan, and to enable more flexible regulation reflecting regional differences.
- The role of this document is to provide guidance on roles, responsibilities, membership and governance of all the parties involved for WWU's CEG.

2. Objectives/Responsibilities of the CEG

This group needs to be independent from both WWU and Ofgem. This independence will offer a robust challenge to company proposals, and their views can help Ofgem to understand the extent to which the business plans reflect and will meet the needs of stakeholders.

For the purpose of the CEG, the word "stakeholder" includes the following current and future groups:

- Customers who have a financial relationship with WWU. This may be large or small businesses, households and individually.
- Consumers who use energy but may not pay for it directly.
- Citizens and society as a whole who are directly or indirectly affected by WWU's actions.

This includes collective interests such as ensuring safety, and reducing carbon and air pollution.

2.1 The CEG will:

- Provide their views to Ofgem and the RIIO-2 Challenge Group in the form of an independent report that will be submitted alongside WWU's final business plan in December 2019.
- Provide independent challenge to WWU and views to Ofgem on whether WWU's business plan addresses the needs and preferences of consumers.
- Meet with Ofgem periodically (collectively and through the Chair as appropriate) to provide regular feedback to Ofgem on the progress made by WWU, and on the process itself.
- Challenge WWU on the following areas:
 - WWU's overall priorities and approach.
 - WWU approach to sustainability and resilience.
 - Proposed outputs and associated total expenditure budgets.
 - Cost efficiency & service quality.

- Quality of stakeholder engagement WWU has undertaken to inform their proposals.
- WWU approach and support provided to vulnerable consumers.
- WWU approach to innovation, including incorporating innovation into business as usual.
- The future of gas including the range of scenarios WWU considered to anticipate future network requirements and WWU approach to managing uncertainty and associated risk.
- What alternatives to the investment proposals has WWU considered.
- Any issues of particular relevance to a local region.

2.2 The CEG will not:

- Provide direct advice or information to WWU. If a member of the group is requested to do so because of their specialist expertise, then this must be done transparently.
- Discuss or review financial topics such as cost of capital, treatment of debt, or the level of gearing in WWU.
- Have decision-making powers and will not jointly own the business plan WWU submits.

3. Membership duties and responsibilities

3.1 Chair duties:

- Appoint CEG members in liaison with WWU and Ofgem.
- Oversee governance arrangements.
- Effective operation of the group including liaising with WWU to shape the agenda.
- Facilitate the group meetings.
- Liaison with the RIIIO-2 Challenge Group, Ofgem and other CEG chairs.
- Liaison with the WWU Board.
- Ensure timeline delivery of the CEG report to Ofgem.

3.2 Member duties:

- All members are appointed as independents and are not to represent the views of an organisation.
- Members are responsible for preparing for each meeting including pre-reading information provided.
- Members must maintain confidentiality as per the non-disclosure agreements signed
- Members must declare conflicts of interest before each meeting where they arise.
- Members are expected to attend the meetings in person or via media dial in. They cannot send substitutes.
- Members will input into the challenge and action log, provide comments on the business plan and provide feedback to the group after events attended.

4. Role of Ofgem

- Provide guidance and clarification where necessary on the role of this group only, companies will remain responsible for their engagement.
- Highlight specific areas they would like the CEG to focus on and clarify their expectations for the reports.
- Will publish the reports publicly from all CEGs.

- Provide further detail on the timetable the CEG will operate within when the RIIO-2 framework is published in summer 2018.
- Organise regular collaborative CEG meetings to share information and learning.
- Provide a point of contact within Ofgem for the Chair to use.
- Identifying and sharing good practice as required so the CEG is clear of its benchmarks against which they can assess WWU.
- Establish the RIIO-2 Challenge Group by summer 2018.
- Continue to work with WWU and the CEG to provide clarity to best fulfil the roles for RIIO-2 and update their guidance where appropriate.

5. Role of WWU

- Recruiting a Chair that acts in an independent capacity rather than representing an organisation or group of stakeholders with sufficient capacity to dedicate the time required for the role.
- Ensuring the CEG is appropriately resourced e.g. by providing the necessary secretariat support, training/induction for group members.
- Ensuring the CEG has access to relevant data including information on past performance, totex forecasts and out-turns performance (and reasons for the variation).
- Providing the CEG with access to comparative data from other network companies and other background data to inform the CEG's decision making.
- Providing timely access to staff to enable the CEG to perform their role.
- Ensuring that there are appropriate opportunities for the CEG Chair to meet with the WWU board Ensuring the business plans are available with a reasonable amount of time for the CEG to review and comment on, before WWU submits their business plan, and the CEG submits its report to both the RIIO-2 Challenge Group and Ofgem.
- To ensure visibility to Ofgem of the proposed remuneration package of the Chair and members, and details on its contract with the Chair.

6. Ways of Working

- Main CEG meetings, monthly, with all members present.
- Sub-group meetings providing deeper scrutiny of a particular topic with members who have particular expertise in an area.
- Shadow engagement events and provide feedback to the main group.
- Provide written comments on draft business plan chapters.
- Bilateral meetings between WWU and CEG members if they have expertise in an area.
- External meetings and events which CEG members may attend to inform their view.
- Information requests from the CEG to WWU.

6.1 Records Kept

- Notes from main CEG meetings.
- Challenge log and Action log.

- Letters from CEG to WWU summarising each monthly meetings impressions and challenges.
- E-mail exchanges.
- Observation sheets.

6.2 Trello

A shared platform has been created to store all agenda's, documents and publish events. All members are to sign up to view. Only the CEG members and group secretariat has access to this platform.

6.3 CEG Webpage

A CEG webpage within the WWU website has been set up and details the role of the CEG and the member's biography and headshots.

6.4 Secretariat

The CEG Secretariat has been provided by WWU, their duties include;

- Notes of each meeting.
- Provide the link between the CEG and WWU staff.
- Provision of papers, any confidential documents will be watermarked 'CONFIDENTIAL'.
- Organise meetings.
- Keep logs up to date.
- Supporting the CEG Chair.

6.5 Relationship with WWU

The CEG will remain independent from WWU. A draft work plan was developed by WWU and revised by the CEG and was finalised on the 18th of October 2018 during the second CEG meeting. The plan will continuously be under review to ensure that the CEG plan is in sync with the WWU work plan.

WWU will be attending the meetings only when requested to and will provide further insight on each agenda item. WWU will not be present during their independent time, except for the appointed secretariat.

The meeting dates have been decided up until December 2019, with the key members of WWU relating to those topics on the work plan, available to attend and discuss the agenda item.

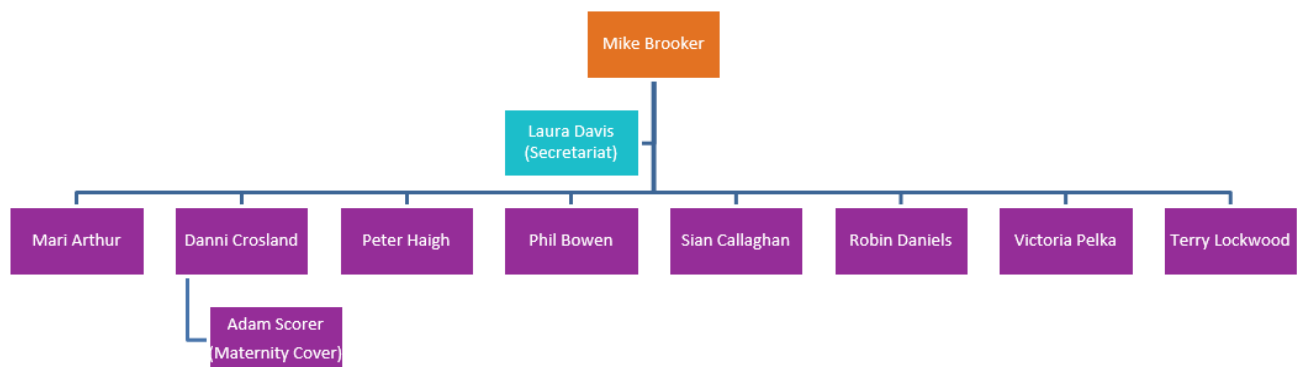
CEG members will be invited to attend any relevant activities held by WWU, details of these events and activities will be shared through the Trello account for members to express interest in attending.

6.6 Reporting Mechanism

- The CEG will provide their views to Ofgem and the RIIO-2 Challenge Group in the form of an independent report that will be submitted alongside the final business plan in December 2019.

- In the report, the CEG should highlight areas of agreement and disagreement with WWU's business plan, including how WWU has responded to challenges that have been raised through the process.
- The report should highlight where there is disagreement amongst members of the CEG to ensure visibility of a range of views;
 - Views on the extent to which the business plan addresses the interests, needs and preferences of WWU's stakeholders.
 - How the company has responded to challenges.
 - The group's views on where the business plan is strong, weak and ambitious.
 - The level of evidence and analysis the company provided to explain their approach and decisions.

6.7 CEG Structure



7. Termination

Members may be removed from the group with immediate effect by the Chair as per section 8 of their contracts. Members may resign from their appointment by giving six months' notice in writing.

8. WWU Key Contacts

- Graham Edwards – Chief Executive
- Sarah Hopkins – People & Engagement Director
- Sarah Williams – Head of Regulation - RIIO
- Elizabeth Warwick – Stakeholder Engagement Manager
- Laura Davis – Stakeholder Engagement Assistant and nominated administration support for the CEG
- Grant Hawkins - WWU Board Non-Executive Director