

National Grid Independent User Group

Terms of Reference

Reference to “National Grid” shall mean UK Gas Transmission (GT) and the UK Electricity Transmission (ET) business entities.

1. Context

As part of Ofgem's Enhanced Stakeholder Engagement Guidance for RIIO-2 the National Grid Stakeholder User Group (SUG) was created. As a continuation of the SUG's role in relation to the RIIO-2 business plan, National Grid has decided to continue with the Group to help its journey to become a truly stakeholder-led business. At its meeting in February 2020, the Group agreed that its name should be the National Grid Independent User Group. Users are defined as those who are, or who represent the interests of, existing or future customers or end-users of the transmission system operated by National Grid. These Terms of Reference will be subject to amendment in the light of any future relevant guidance provided by Ofgem.

2. Purpose of the User Group

The User Group's purpose is defined within three areas of focus:

1. Scrutinise and challenge company periodic business plans:

- a. Scrutinise and challenge the development of company regulatory business plans, consistent with Ofgem requirements

2. Monitor, interrogate and enhance transparency of performance against commitments

- a. Hold National Grid to account in delivering its business plan commitments by monitoring delivery and enhancing transparency
- b. Act independently and publicly share its assessment as the voice of National Grid's stakeholders
- c. Shaping National Grid as the pathway to Net Zero is developed and challenging how it responds to external change

3. Critical friend for strategy, culture and processes in key areas

- a. Provide input and challenge to National Grid's priorities and activities
- b. Provide input and challenge to National Grid's stakeholder engagement and ensure that it's part of decision-making processes and plans
- c. Help National Grid to become more stakeholder-led; demonstrating fairness, legitimacy and consumer-focus throughout the business

3. Membership

The User Group comprises an independent Chair and representatives from the following stakeholder segments:

Environment/sustainability (future users)	Trade body association (customers)
Major Energy User	Net Zero & whole system – future consumers (x2)
Customer representatives	Electricity distribution network – Electricity only
Consumer and public interest (including fuel poor consumers & consumers in vulnerable situations)	Gas distribution network – Gas only
New/alternative business model (x2) (future users)	Electricity System Operator – Electricity only

Additional attendees:

Technical Secretary - Electricity	Technical Secretary - Gas
Director of Gas Transmission	Head of Gas Transmission Regulation
Director of Electricity Transmission	Head of Electricity Transmission Regulation
Electricity Transmission representative	Gas Transmission representative

The Chair shall keep under review the overall balance of the membership of the User Group, to ensure suitable representation from across National Grid’s diverse range of stakeholders and in accordance with the agreed purpose of the User Group.

National Grid shall provide additional attendees as required to facilitate the smooth functioning of the meeting.

4. Chair

The Chair will be appointed by National Grid and must act as an independent individual and not as a representative of a particular organisation, or group of stakeholders. Ordinarily, the Chair shall convene the User Group meetings.

National Grid shall ensure that the Chair receives comprehensive and appropriate onboarding and induction.

Once the Chair is appointed, National Grid cannot dismiss the Chair unilaterally without first notifying the members of the User Group. The User Group must understand the exact reasons for dismissal and may require further information, including through direct contact with the Chair ahead of any dismissal.

Ordinarily, the tenure of the Chair appointment will be three years which will be reviewed and may be repeated once, subject to mutual agreement between the Chair and National Grid.

If the designated Chair is not available, then a formal nominee shall be agreed in advance of the meeting with the consensus of User Group members. The Acting Chair will be responsible for convening and conducting the User Group meetings and for informing the Chair as to the salient points / decisions raised and agreed to at the meeting.

National Grid shall put in place, through agreement with the Chair, an annual Senior Leadership Programme of meetings between the Chair and the plc and business entities Directors and Boards, and to include regular attendance, as Observers, of Executive and Sufficiently Independent Directors at User Group meetings.

The Chair will attend meetings with Ofgem and other stakeholders, as required, and will report back on these meetings to the User Group. The Chair will also maintain working relationships with other User Groups/Customer Engagement Group Chairs to encourage the sharing of good practice and learning.

5. Technical Secretary

National Grid shall provide the Technical Secretary for the User Group. The Technical Secretary shall support the Chair in ensuring the smooth functioning of the User Group. The Technical Secretary shall act as an independent support for the Chair and the User Group, ensuring arm’s length interactions with wider National Grid employees and observing the need for confidentiality of closed User Group discussions and communications.

The Technical Secretary shall make all materials available to the User Group members in accordance with these Terms of Reference. The Technical Secretary will receive notices of absence and shall be responsible for producing the minutes and actions in accordance with these Terms of Reference.

The Technical Secretary shall provide support to the Chair and User Group in the drafting and production of the User Group's agreed reports and outputs.

The User Group shall have access to a secure Sharepoint site for storage of relevant materials and documents. The Technical Secretary will administer this site and ensure that it is up to date.

The Technical Secretary will maintain appropriate working relationships with the other User/Customer Engagement Groups in order to share good practice and learning.

In conjunction with the Chair, the Technical Secretary shall ensure that thorough onboarding, updated and refreshed as required, is put in place for Group members.

6. User Group Members

Members of the User Group are responsible for scrutinising and providing input and expert challenge to National Grid. Members shall represent their constituency, not their company, as independent individuals and on the basis of their experience and knowledge.

In practice, this means individual members will:

- Bring their expertise, new insights and engagement skills.
- Consider and review all documentation referred to the User Group.
- Sign on to an agreed programme of work/forward agenda for the User Group. This will be discussed and adjusted with agreement from the User Group as requirements change or are further understood.
- Be required to formally approve the User Group's Terms of Reference.

Members shall be appointed by the Chair and for a minimum of two years. This tenure may be repeated once, subject to mutual agreement with the Chair.

Members shall advise the Chair of any change in their circumstances at the earliest available opportunity.

Reflecting best practice in corporate governance, every effort will be made to stagger or refresh terms of office to ensure the necessary continuity to allow the User Group to deliver its remit effectively.

Members shall make every endeavour to attend all scheduled meetings. Apologies should be submitted to the Chair and Technical Secretary in advance of the meetings.

7. User Group Outputs

The User Group will develop, and review annually, principles for prioritisation to inform an annual work programme which will be produced at the start of each business planning year

User Group outputs will be process- and issues-driven. The User Group will identify, and review annually, a clear set of criteria, metrics and performance measures by which it can both hold National Grid to account and assess its own effectiveness. At the start of each year, the User Group will agree its plan for outputs to be delivered and published during that year. This may be subject to review and change during the course of each year.

The User Group will maintain a Challenge Log. A challenge area is defined as a high-level theme arising from the agreed forward work programme. The key challenge(s) within each area will be reflected in a clear narrative setting out the Group's expectation(s) of National Grid and why. The content of the Challenge Log, the National Grid response and a RAG status will be reviewed by the User Group quarterly, or at User Group meetings as appropriate. The default assumption is that the Challenge Log, redacted appropriately, will be published on the User Group website.

The User Group can also make Information Requests, which will be entered on an Information Request log. Information Requests are defined as detailed questions posed by the User Group as a collective, within its remit, and where it expects National Grid to provide a response within an agreed period of time.

8. Governance

8.1 Confidentiality and conflicts of interest

All User Group members must sign an agreement containing undertakings on confidentiality and conflicts of interest. National Grid will provide the agreement for signature in advance of the first meeting any new member attends. Any potential conflicts which arise following appointment of members should be identified to the Chair at the earliest opportunity. Following his/her appointment, the Chair should identify to National Grid, at the earliest opportunity, any potential conflicts which arise.

The primary function of the User Group is not to provide direct advice or information to National Grid. Therefore, if National Grid requires advice from an individual member of the User Group in another capacity and/or due to their specialist expertise or organisational background, this will be done in an extraneous capacity and the User Group Chair will be kept informed. Being a member of the User Group does not mean individuals cannot partake in engagement activities carried out by National Grid either as an individual or as a representative of their organisations.

8.2 User Group Meetings

The Chair is responsible for approving User Group meeting agendas. The agenda and all associated papers shall be circulated by the Technical Secretary to all attendees not less than seven working days ahead of the meeting date.

At the beginning of each meeting, the Chair shall ascertain, with the assistance of members, the existence of any conflicts of interest or business separation issues arising from the agenda. Declarations of such conflicts will be recorded in the minutes of the meetings. The agenda and the meeting will be managed to ensure that these issues are managed appropriately and so that affected members will not participate in that part of the agenda, if the Chair deems this appropriate.

The agenda will be based on the agreed forward work programme. The meeting shall run with separate Gas and Electricity sessions with members attending their relevant session. The Chair has the right to refuse to list an item on the formal agenda, but, prior to the meeting, members may raise suggested agenda items to the Chair and also raise additional

items under 'Any Other Business' with the advance agreement of the Chair. Items raised without advance notice will be subject to the agreement of the Chair on the day, and as time permits.

The standard agenda will include time for closed sessions with members, without National Grid representation.

The expectation is that, following robust discussion and challenge, the User Group assumes collective responsibility for its decisions. Members may request that any disagreement or differing views from the agreed decision be recorded in the minutes. In areas of disagreement, and as a final resort, the Chair will assume responsibility for the final decision. This may result in a vote, if the Chair deems this appropriate.

Due to the subject matter, the meetings are not open to the public.

8.3 Minutes & Actions

The minutes and actions of each User Group meeting shall be prepared by the Technical Secretary.

Full copies of the minutes and actions, including attachments, shall be provided for comment to all User Group members, after being approved by the Chair, no later than seven working days following each meeting. Members should endeavour to provide comment on the accuracy of the minutes as soon as possible following circulation.

At the beginning of each meeting, the Chair shall seek approval from the User Group that the minutes and actions from the previous meeting are a fair reflection of the discussions which took place.

The Technical Secretary shall ensure that the list of action items is annotated with progress milestones and required completion dates.

Appropriately redacted minutes of open meeting sessions shall be published on the User Group website within ten working days of the meeting where they have been approved by the Group. The published minutes shall anonymise or redact any personal and/or commercially sensitive information.

8.4 Meeting frequency

The User Group shall meet as scheduled, broadly following a timetable of once every three months. The schedule of meetings will be agreed by the Chair, as far in advance as possible, taking account, where possible, of members' availability to enable quoracy and participation. Chair approval is required for changes to agreed meeting dates.

8.5 Quorum Requirements

In order for the User Group meeting to be recognised as an authorised meeting, and for any recommendations or decisions to be valid, a quorum must be present. A quorum shall be defined as a minimum of four User Group members and must include the Chair, or the Acting Chair. The expectation is that regular meetings should be attended in person where at all possible, although conference call facilities will be made available if required.

8.6 User Group Charter

These Terms of Reference are supported by a User Group Charter, signed by members, setting out the User Group's Objective, Purpose, Success Criteria and Ways of Working.

The Charter also includes the User Group's commitment to abide by a Code of Conduct based on the Nolan Principles of Public Life.

8.7 Managing Risk(s)

The User Group shall maintain a Risk Register, subject to quarterly review, which will focus proportionately on the Group's governance and process arrangements.

8.8 Gifts and Hospitality

The User Group will not accept any gifts offered by National Grid and shall maintain a Hospitality Log. Where hospitality such as hotel and meal bookings are provided by National Grid and not reimbursed according to the agreed expenses claims policy, User Group Members are responsible for the timely notification of receipt of this hospitality to the Technical Secretary so that the User Group's Hospitality Log can be updated.

8.9 Social Media Guidelines

The User Group will adhere to its agreed guidelines of the use of social media.

8.10 Periodic Review of Effectiveness and Independence

The independence of the User Group from National Grid is critical to its role and effectiveness. The User Group will conduct an annual review, which may be done by a third party, of its governance arrangements, its independence and its wider effectiveness. The User Group will also keep itself up to date with the latest relevant Ofgem guidance.

8.11 Transparency

On the assumption of openness, these Terms of Reference and all associated governance documents will be published on the User Group website. Matters of exception in relation to personal information will be agreed by the Chair in discussion with the User Group and/or relevant individuals and in adherence with data protection requirements. Matters relating to National Grid commercial confidentiality will be agreed by the Chair in discussion with National Grid.