



# Terms of reference

November 2024

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## 1. Background

As part of the business plan development phase for RIIO-2, SP Energy Networks (SPEN) established two independent stakeholder groups to provide challenge and scrutiny in the development of its business plans for both the Transmission and Distribution businesses. The role of the groups was to ensure the business plans addressed the needs and preferences of consumers and network users. SPEN established the Transmission Operator User Group (TOUG) for the T2 business plan and the Customer Engagement Group (CEG) for the ED2 business plan process.

To continue the success of these groups, SPEN has now established one over-arching independent stakeholder group, the 'Independent Net Zero Advisory Council' (INZAC) to ensure customers and stakeholders remain at the heart of RIIO-3 business planning process and monitor delivery of RIIO-2 commitments across both its Transmission and Distribution licences. The INZAC will provide a wider perspective, reviewing plans across both licences, allowing a more holistic approach to identifying needs and offering challenge and guidance to create the best value and outcomes for customers.

## 2. Purpose

The primary purpose of the INZAC is to ensure customers and stakeholders remain at the heart of the business planning process and have a voice in the ongoing delivery and decision making of SPEN.

They will work closely with SPEN as it develops its business plans for both RIIO-T3 and ED3, providing challenge, insight and ongoing monitoring of SPEN's stakeholder engagement programme to ensure it engages widely and openly with its customers and stakeholders.

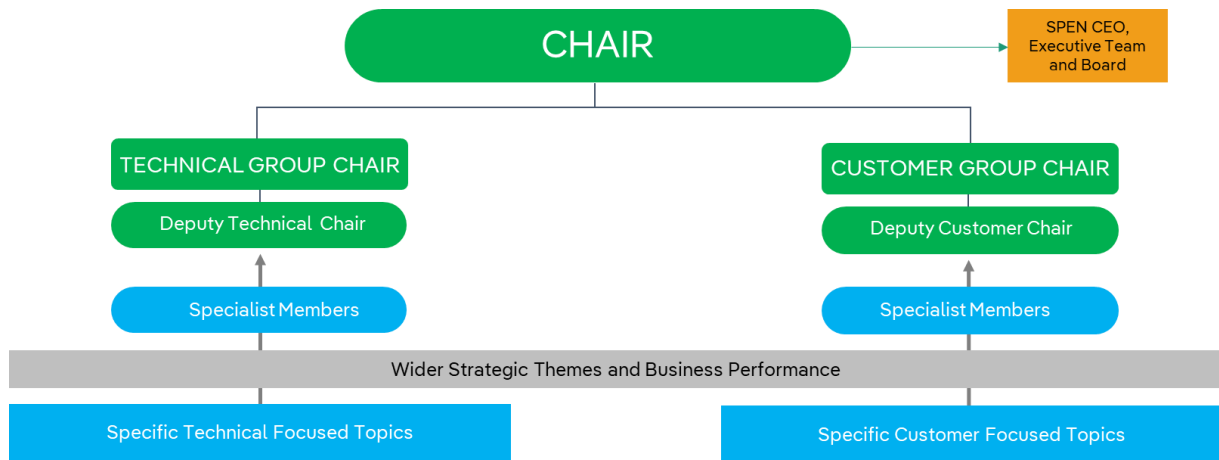
The INZAC will represent the interests of consumers and stakeholders and play an important role in holding SPEN to account in respect of the delivery of RIIO-2 and RIIO-3 business plan commitments.

## 3. Group Structure

The INZAC will have a view across both the Distribution and Transmission licences of SPEN. The group will be split into two separate groups, one with a Technical focus and the other on Customer related topics. The INZAC will have a Lead Governance Group, consisting of the Chair, a Technical Group Chair, Customer Group Chair and Deputy Chairs of each group (see diagram below). Both groups will consist of members with relevant expertise either on Technical or Customer related topics.

The Lead Governance Group has responsibility to set objectives of the INZAC, bringing together views and conclusions of each group and presenting findings to the SPEN CEO Executive Team.

## Member structure



## 4. Objectives and scope

The INZAC is part of SPEN's broader stakeholder engagement programme, providing confidence, improving transparency and decision-making. They will provide independent challenge and expert insight on an enduring basis to support a strategic approach to stakeholder engagement. This type of engagement is imperative to delivering the best outcomes for the energy transition and to maximise impact through decarbonisation and innovation for customers and stakeholders.

The main objectives of the INZAC are to:

- 4.1. Review business performance against commitments made to stakeholders and customers in both the T2 and ED2 business plans
  - 4.1.1. *Ensure deliverables continue to be justified and remain fit for purpose, particularly addressing emerging industry issues.*
- 4.2. Act as critical friend, provide constructive challenge and insight to inform company decisions and strategy in development of RIIO-3 business plans ensuring customer and stakeholder issues are reflected
- 4.3. Ensure consumers and stakeholders have been engaged sufficiently in development of RIIO-3 business plans by monitoring of stakeholder engagement programme
- 4.4. The Technical Group of the INZAC will inform delivery and provide challenge of SPEN's DSO and Whole System activities during RIIO-2
  - 4.4.1. *Separate Terms of Reference are in place for the Technical Group for this objective, see Appendix 1.*
- 4.5. Present summary of feedback to CEO and Executive Team, highlighting any key challenges
- 4.6. Produce annual report, aligned to strategic focus areas agreed with SPEN in advance, to be shared publicly

### Scope

An annual plan for the year ahead detailing strategic areas of focus for the INZAC will be agreed by SPEN and the Chair each year. The plan will include an overview of topics for review by both the Customer and Technical Sub-groups for both the Transmission and Distribution business.

### Areas out of scope

It is not intended for the INZAC to: -

- discuss or review financial topics in development of plans,
- be responsible for decision-making or ownership of business plan delivery and other regulatory submissions.
- scrutinise cyber Information Technology (IT), cyber Operational Technology (OT) or physical security upgrade .

## 5. Membership and governance

Within their capacity to help shape and drive the direction of SPEN strategy to support Net Zero and wider business commitments, the INZAC members will be expected to demonstrate the following attributes.

- Strategic thinking and a will to work with SPEN in shaping their business plans, whilst willing to challenge business assumptions and proposed direction, helping deliver the best solutions for customers
- Experience and expertise of industry issues and mindful of customer and stakeholder needs across the energy industry and beyond.
- Expert knowledge beyond just that of electricity networks, offering insight and guidance on emerging issues in support of achieving national Net Zero targets. Specialist knowledge required include stakeholder engagement, vulnerable customers, understanding of network planning and industry wide challenges.

### 5.1. Group composition

The INZAC will be composed of industry experts, representative of a broad range of stakeholders. It is responsibility of the Chair to appoint members for the INZAC, however SPEN would want to ensure:

- Sufficient knowledge and representation from the various regions we represent
- Representation from a broad range of stakeholder and customer groups
- Appropriate diversity on the group

The INZAC can invite special advisors and topic experts to join meetings for certain areas of expertise where appropriate.

### 5.2. Quorum members

A minimum of 50% of members should be present for meetings (not including the Chair and independent secretariat, or other representatives/specialists). There will be a hybrid approach to meetings, with some taking place online, and others in person. It is planned that at least three meetings per annum will take place in person.

### 5.3. The Chair

The Chair will lead the INZAC, acting in an independent capacity, and is considered essential to the group's effective working. The role includes the following responsibilities:

- Provide direction for development of the INZAC, shaping how the group interacts with SPEN throughout the RIIO-2 and RIIO-3 period
- Be independent of SPEN, able to demonstrate complete impartiality
- Lead the challenge on SPEN's overall priorities and approach, their understanding of changes happening to the energy system and the impact on their activities
- Representing views of customers and stakeholders, to ensure consumer wants and needs are being addressed
- Lead the group's interaction with Ofgem, either individually or through meetings
- The Chair will be fully supported by Technical and Customer Chairs and Deputy Chairs

In the event of replacing the Chair, they will be recruited by SPEN through a transparent process that has been developed based on Ofgem's Enhanced Engagement guidance, as well as SPEN's own list of criteria and desired skills for a Chair.

The Chair will report directly to the CEO of SPEN, as well as engage, when needed, with non-executive members of the board.

#### 5.4. Sub-Group Chairs and Deputies (Technical and Customer)

There will be two Sub-group Chairs appointed, each with responsibility of leading one of the two sub-groups: Technical and Customer. These roles will be fundamental to ensuring the groups are organised and run in an effective and efficient way. Their roles and responsibilities will include:

- Provide support to the Chair, regularly keep them informed of developments within the sub-group
- Chair sub-group meetings, leading discussion on proposals put forward by SPEN
- Ensure appropriate member representation at sub-group meetings to provide constructive challenge in the interest of customers and stakeholders
- Be the point of contact for INZAC sub-group members
- Present a summary of sub-group discussions back to Group of Chairs with recommended feedback and challenges to be agreed

A Deputy Chair will be appointed in both the Technical and Customer Sub-group to deputise and support the Sub-Group Chair.

## Governance

- Through the Chair, the INZAC is responsible to the CEO of SPEN
- The Chair will facilitate discussions of the INZAC and with SPEN representatives, ensuring all members have an opportunity to contribute to discussions and to challenge the business
- The INZAC will have a regular working relationship with the SPEN Management Team and Secretariat
- Between meetings, the Chair will act as a link between the INZAC and SPEN, and if required, between the INZAC and Ofgem

## 6. Meetings

- 6.1. The INZAC, will meet quarterly as a whole group to be kept abreast of progress and feed into upcoming plans on behalf of SPEN stakeholders and GB consumers.
- 6.2. SPEN will provide a quarterly business performance update against RIIO-2 business plan commitments for both Transmission and Distribution.
- 6.3. The INZAC will operate a sub-group meeting structure both on Technical and Customer focused topics, whereby smaller specialist knowledge member groups will meet with relevant SPEN work leads for more in-depth engagement.
- 6.4. To fulfil the objectives of the INZAC, members must dedicate sufficient time to the following activities:
  - Participate in meetings, site visits and other group activities
  - Read and understand information, preparatory material and meeting minutes
  - Collate input/conduct horizon scan of relevant consumer or industry stakeholders
  - Provide input to the group on key industry developments or concerns
  - Meet formally, and informally as a group (without SPEN representatives)
  - Agree on minutes and any formal challenges noted after each meeting
- 6.5. Secretariat

SPEN will providing a Secretariat to the INZAC who will:

  - Meet regularly with Chair of INZAC
  - Develop annual meeting schedule and forward plans
  - Organise meetings, prepare agendas and meeting materials
  - Record meeting minutes and actions
  - Keep website updated
  - Maintain conflict of interest record
- 6.6. SPEN will provide briefing materials where necessary one week in advance of meetings to allow appropriate preparation time.
- 6.7. SPEN will hold central challenge and action logs to be reviewed regularly by INZAC within sub-group meetings.



## 7. Independence, transparency and dispute resolution

### 7.1. Group independence

The INZAC will operate independently from both SPEN and Ofgem. Independence is ensured by:

- Selecting a Chair and members who are independent from SPEN, and have no other interests in any aspect of SPEN's business
- A conflict of interest check carried out during recruitment process, to be updated on an ongoing basis
- A process for raising concerns about a member's independence
  - *If an INZAC member has concerns about another member's independence, this should be privately communicated to the Chair. The Chair may address the issue directly, or choose to raise it with SPEN, as deemed appropriate*
  - *Should any member have concerns about the Chair's independence, this should be directly communicated to SPEN*

### 7.2. Ensuring transparency

To ensure transparency, all processes and arrangements for the group's management and working have been outlined in these Terms of Reference. As the INZAC's transparency extends to documentation and decision-making processes, relevant outputs and materials will be made publicly available on the SPEN website where appropriate. This may include:

- Group reports
- Terms of reference
- Meeting agendas

### 7.3. Dispute Resolution

SPEN and the INZAC will endeavour to build a partnership in good faith to create value, focused on finding the best solutions for customers and stakeholders, based on regular two-way communication.

In the case of a dispute, it shall be referred by the parties to the Chair of the INZAC and SPEN's Head of Stakeholder Engagement in the first instance, who shall meet as soon as possible (within 5 working days) after any party identifies that a dispute exists, to seek to resolve the Dispute.

If the dispute cannot be resolved by the Chair of the INZAC and SPEN's Head of Stakeholder Engagement within 10 working days after date of referral, it will be escalated as follows:

- to SPEN's Director of Network Planning & Regulation and Chair of the INZAC; and
- in the second instance to SPEN's Chief Executive Officer and the Chair of the INZAC.

All communication, meetings and meeting minutes will be co-ordinated by the Secretariat for the group.

The approach will be transparent to help those involved understand differences of opinions in order to reach a consensus. It will be for the Chair to inform the group of meetings that have taken place, the outcome and decide with the group as to whether the issue should be raised in the group's annual report.

*In these Terms of Reference, "Dispute" means any dispute, difference or question of interpretation arising out of these Terms of Reference.*

## 8. Appointments, terminations and remuneration

### 8.1.1. Chair

The Chair's period of appointment will last an initial 2-year term. In the case of the Chair's resignation, SPEN will recruit a replacement. Notice should be given at least 3 months' in advance to allow sufficient time to search for, recruit and onboard a new Chair. In the unlikely event that SPEN wish to remove the Chair, SPEN will provide 3 months' notice, and detailed reasoning to Ofgem.

### 8.1.2. Members

It is intended that all members will serve an initial 2-year term, to ensure consistency in the quality of challenge and input. This will allow an effective way of working, as the entire group become familiar, and benefit from learnings and experience.

In the event a member wants to resign or not seen as being as effective as desired, the Chair reserves the right to ask for a member's resignation from their position. Notice should be given at least 3 months in advance to allow time to search for, recruit and onboard a new member.

### 8.1.3. Remuneration

- The Chair will be remunerated with a fixed amount per annum, commensurate with the skills, experience, effort, and gravitas required to complete the role.
- Some members will not be remunerated for their role in the INZAC, as agreed with their organisation, where their role is relevant to their contribution to the group.
- All other members will be remunerated with an agreed, fixed day rate, and for an estimated 1 to 2 days per month.

In addition, members can claim reasonable travel and meeting costs (in line with SPEN's existing expense policy). All expense claims must be agreed with SPEN and Chair in advance.

If there is requirement for extra days/hours worked above that of agreed contracts which require payments, these must be agreed by both the Chair and SPEN in advance.

## 9. Terms of reference review

### 9.1. Approving and amending the terms of reference

These terms of reference have been developed and approved by the Chair and SPEN.

If a member, or the Chair deems it necessary to amend the Terms of Reference, this should be communicated to the secretariat to be included in the agenda for the upcoming iteration. All members will have the opportunity to discuss and review the proposed amendment brought forward and vote on it. The Chair's agreement will be required for it to pass.

### 9.2. Reviewing and evaluating the terms of reference

The INZAC will review and evaluate these Terms of Reference. This will ensure they remain up to date with progress made by the INZAC, its ways of working and any changes to the process or guidance.

The review will be carried out and discussed on an annual basis by SPEN and INZAC Chair, or when needed throughout the duration of the RIIO-2 price control period by the entire INZAC.

## 10. Appendix 1

### 10.1. Terms of reference

#### DSO / Whole System Expert Group Requirements

##### INZAC Technical Group

The DSO and Whole System Expert Group's purpose, as a dedicated subgroup within the INZAC, is to guide and inform delivery of SPEN's DSO and Whole System activities through RIIO-ED2. This Group will provide appropriate challenge on our strategic direction, advise on our Decision Making Framework (DMF), report on our progress against our plans, and consider stakeholder interests as we deliver against our DSO and Whole System outputs.

1. The Group will provide feedback and input to strategies associated with our DSO transition, including but not limited to our Whole System Strategy, our Network Visibility Strategy, our DSO strategy, and our associated publications (LTDS, DFES, NDP).
2. The Group will provide appropriate challenge and advise us on the transparency and accessibility of our Decision Making Framework (DMF) as part of initial publication and the enduring process.
3. The Group will prepare an external annual report of activity. The report structure will be developed jointly by the Group and SP Energy Networks. The Group will provide a view on our progress against our DSO activities in their annual report. Examples include:
  - a. Progress against DSO baseline expectations as listed in Ofgem's DSO Incentive guidance.
  - b. Performance against the DSO Incentive following the initial report from Ofgem in September 2024, and following each annual review.
4. The Group will provide oversight and input to investment appraisal and data sharing processes. This includes:
  - a. Work with SP Energy Networks to identify data and information sharing to promote efficient whole system operation, and support market development opportunities.
  - b. Support SP Energy Networks on a secure data triage framework, including supporting what data is published openly or under a shared licence, and how redactions can be facilitated to ensure security of the network and systems.
  - c. To provide feedback on our load-related intervention decisions over £2m. Independent auditor will be appointed by SPEN.
5. The NP&R Director will be the sponsor of the Group. The Group Chair and members will be appointed by the INZAC Chair. The primary representative of SP Energy Networks during Group meetings, will be the Head of Network Intelligence & DSO Development.