



# Independent Stakeholder Group Terms of Reference

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## Context

The Independent User Group (IUG) was established in August 2020 to provide independent scrutiny and challenge to ensure broad stakeholder understanding of the processes and methods used by SSEN Transmission to fulfil the regulatory objectives of the RIIO-T2 price control period (2021-2026). In addition, it was required to assess the degree to which the RIIO-T2 Business Plan was co-created and supported by stakeholders and provide assurance to Ofgem.

Post RIIO-T2 determination, SSEN Transmission decided to continue with the IUG model, renamed the Network for Net Zero Stakeholder Group, to continue to benefit from the independent scrutiny, challenge and advice the Group provides to inform key decision-making in the delivery of the RIIO-T2 Business Plan, effectively holding the business to account on its performance against its commitments.

SSEN Transmission required the membership of this Group to be such that it is able to provide the necessary expertise to act as stakeholder representatives, provide expertise to help meet the Net Zero energy transition challenges, and/or have knowledge of the regulatory processes to provide a level of continuity from the development of the RIIO-T2 business plan into future price control periods. In early 2023 the Network for Net Zero Stakeholder Group began to scrutinise the process and content development for the RIIO-T3 Plan (2026-2031) as part of its remit from SSEN Transmission.

In the autumn of 2023, Ofgem's Future System and Network Regulatory (FSNR) framework decision was published mandating the establishment of Independent Stakeholder Groups for Transmission Owners.

Independent Stakeholder Groups (ISGs) are expected to provide formal challenge and scrutiny on RIIO-T3 plan development as well as the implementation of the plan thereafter. Importantly, this will include the approach taken to stakeholder engagement at all stages of plan development; consumers and stakeholders should remain at the heart of the business planning process, ongoing delivery and decision making.

The Network for Net Zero Stakeholder Group's purpose is aligned with the FSNR decision, however, Ofgem's decision and subsequent Business Plan Guidance (19 July 2024) mandates changes to the Network for Net Zero Stakeholder Group's Terms of Reference to make the Network for Net Zero Stakeholder Group's role as an Independent Stakeholder Group explicit; the ISG has a formal role in scrutinising the development of the SSEN Transmission RIIO-T3 Plan, and in addition, an important role in responding to Ofgem's enhanced 'Call for Evidence' post submission of that Plan.

## Objectives

The aim of the Network for Net Zero Stakeholder Group is to provide SSEN Transmission with expert challenge, feedback and opinion on topics presented for discussion. Feedback will be recorded as recommendations as required. The Group is not required to vote on or formalise decision-making.

The purpose of the group is:

1. to hold SSEN Transmission to account on delivering the commitments made in the RIIO-T2 and RIIO-T3 Business Plan settlement, in particular performance against targets and outputs, and to provide independent scrutiny, challenge and advice on key decisions outside the certain view
2. to provide challenge and scrutiny of the company's RIIO-T3 business plan during its development, including the completeness and quality of the business plan as formulated under Stages A and C of the Business Plan Incentive (BPI) respectively, and monitor delivery of the commitments in the plan

3. to determine how effectively the key areas of concern to relevant consumers and stakeholders are identified and to determine how effectively these have been addressed in the company's Business Plan
4. to encourage change towards a culture of more consistent, relevant and more effective stakeholder engagement by the company through scrutiny, challenge and monitoring of its engagement strategy, plans and performance
5. providing insight and feedback to the company to allow it to act on this information and use it to inform decisions early in the process of business plan development
6. to respond to Ofgem's Call for Evidence, to be published shortly after the submission of the company's final business plan; and
7. to discuss any other matters that the Network for Net Zero Stakeholder Group identify, in agreement with the business

It is expected that the Network for Net Zero Stakeholder Group will also provide advice for improved outcomes in relation to stakeholder engagement, in particular to:

- provide direct stakeholder input in consideration of project decision-making
- provide advice to improve stakeholder engagement performance
- provide advice to improve stakeholder knowledge of the SSEN Transmission business and its critical role in delivering Net Zero targets
- assist in fostering greater transparency and improved stakeholder understanding of SSEN Transmission's decision-making

## Scope

The ISG does not have decision-making powers nor does it jointly 'own' the business plan that the company submits. The ownership of the business plan sits entirely with the company. Engaging with its ISG is not a substitute for a company's engagement with its consumers, end users and other stakeholders.

The ISG will represent the interest of consumers and stakeholders in holding the company to account in respect to the delivery of its RIIO-T2 and RIIO-T3 commitments.

### RIIO-T2 Business Plan (2021-2026)

The RIIO-T2 Business Plan is designed to meet the expectations and needs of energy consumers, customers and stakeholders in the north of Scotland and across Great Britain. The Business Plan reflects the ambition of stakeholders in:

- tackling the climate emergency
- ensuring a reliable and available transmission network
- improving resilience and security of supply
- acting sustainably
- earning the trust of stakeholders; and
- doing this cost effectively

The focus areas of the group will include, but is not limited to:

- Direct input to considerations on investments and outputs over and above Certain View
- The stakeholder engagement undertaken to inform proposals

- The range of scenarios SSEN Transmission has considered to anticipate future network requirements and the approach to managing uncertainty and associated risks. This should include testing business plans against more extreme scenarios (both significantly lower or higher demand) to ensure the business plan remains robust in the face of unforeseen changes
- Scrutiny of alternatives considered in development of the investment proposals including those from parties offering alternative and non-network-based solutions
- Examination of issues of particular relevance to a local region, including any significant investment choices proposed, providing challenge to decision-making when competing interests and perspectives are present

## RIIO-T3 Plan (2026-2031)

Similarly, the Group will provide independent scrutiny, challenge and advice on the development the RIIO-T3 Plan, including the approach to consumer and stakeholder engagement at all stages, and on transition to the new SSEN Transmission business plan period, of which the RIIO-T3 plan is a part. The ISG will hold SSEN Transmission to account on delivering the commitments made in the RIIO-T3 Plan settlement.

## Deliverables

1. Terms of Reference which respond to Ofgem requirements and reflect the role and function of an Independent Stakeholder Group in this context. These Terms of Reference to be published on the SSEN Transmission website
2. Meet the purpose of an Independent Stakeholder Group as set out in the Terms of Reference
3. Provide minutes of meetings, anonymised or redacted if information is commercially sensitive, to provide transparency and evidence of the Group's independent challenge and advisory role
4. Publish an Annual Report covering the scope of the Network for Net Zero Stakeholder Group, the purpose of which is:
  - 4.1. to provide a summary to the SSEN Transmission Board and SSEN Transmission Executive Committee of the issues considered and the advice given as part of the corporate governance process
  - 4.2. to provide transparency on decision-making for the benefit of SSEN Transmission customers and stakeholders
  - 4.3. to provide a summary of the issues considered and the advice given in relation to development of the RIIO-T3 Plan

## Membership and stakeholders

### Membership and Quorum

The Network for Net Zero Stakeholder Group shall comprise the Chair and membership of between six to ten individuals, appointments being approved by both the SSEN Transmission Managing Director and the Chair of the Group.

In addition, the Chair may invite non-members to attend or speak at a meeting to provide additional insight, input or feedback on a specific topic.

A quorum is four members including the Chair. A duly convened meeting at which there is a quorum present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Network for Net Zero Stakeholder Group. Members not in attendance at a meeting will be offered a subsequent briefing of the business covered. It is incumbent on Members to ensure they are fully up-to-date with the Group's business and that any contribution is made in a timely manner in line with the schedule outlined by the Chair.

If the Chair is unable to attend a Network for Net Zero Stakeholder Group meeting, the Chair will appoint a stand-in Chairperson for that meeting only.

## Appointments

The Chair of the Network for Net Zero Stakeholder Group shall be appointed by the Managing Director of SSEN Transmission and the Chair shall be responsible for recruiting ISG members that are representative of the company's stakeholders.

Membership is predicated on ensuring the Group has the necessary breadth of knowledge, capacity and experience required to consider the topics discussed by the Network for Net Zero Stakeholder Group in an objective way.

Members of the Network for Net Zero Stakeholder Group are expected to attend meetings regularly and only those formally appointed as Members are entitled to attend.

Attendance at the Network for Net Zero Stakeholder Group may be in person or virtually via teleconferencing facilities.

## Duration of Membership

A review of ISG membership will be undertaken every two regulatory periods to ensure the ISG continues to provide independent scrutiny, challenge and advice to SSEN Transmission.

## Remuneration

Remuneration and reasonable expenses will be paid for and administered by SSEN Transmission. All reasonable expense claims must be submitted to the Secretariat within one month of being incurred.

## Membership

Members	Title
Tracey Matthews (Chair)	Non-executive Director: Office for Nuclear Regulation; Energy and Utility Skills Group; and Transport for Greater Manchester
Geoff Aitkenhead	Independent Consultant; former Asset Management Director at Scottish Water (2002-2016)
Rachel Grant	Director of Strategy and Corporate Affairs, Office for Nuclear Regulation
Claire Mack	CEO, Scottish Renewables
Doug McAdam	Chairman, South Grampian Deer Management Group; Countryside Learning Scotland; Wild Deer Best Practice
Julian Leslie	Director of Strategic Energy Planning and Chief Engineer, National Energy System Operator

## Stakeholder Roles and Responsibilities

### The Chair

The Chair has the following responsibilities:

- Leadership of the Network for Net Zero Stakeholder Group to ensure its effectiveness on all aspects of its purpose and role
- The ISG Chair will be responsible for recruiting ISG members that are able to act in the interests of existing and future consumers and stakeholders and have the ability, as a group, to scrutinise and challenge all aspects of the company's business plans
- Achieve effective communication with the Managing Director of SSEN Transmission and where appropriate, the SSEN Transmission Board
- A statement, written and signed by the independent ISG Chair, is to be included in the company's business plan submission, the statement should confirm the following as a minimum:
  - that an ISG has been established by the company with clear terms of reference, governance and membership in accordance with Ofgem's Business Plan Guidance and that the ISG has been fully engaged in the development of the company's business plan
  - that the company has provided the ISG with information and evidence that has enabled the ISG to monitor how consumers and stakeholders have been engaged and how much this engagement has affected the development of the RIIO-T3 business plan
- The Chair should respond to the Call for Evidence by Ofgem, to be published shortly after the submission of the company's final business plans, on behalf of the ISG

The Chair shall:

- Make the purpose of each meeting clear to members in attendance and explain the agenda at the beginning of each meeting
- Clarify and summarise key points throughout the meeting
- Encourage broad participation from members in discussion by calling on different Members to contribute
- Close each meeting with a summary of decisions reached and agree actions
- Regularly reinforce the timeline and purpose of the group

Actively ensure the Group continues to be objective and act as an Independent Stakeholder Group

### Members / the Independent Stakeholder Group

- Members should act in an independent capacity as far as practical and not solely as a representatives of a particular organisation, or group of consumers or stakeholders.
- Understand and take an active leadership role in the development and delivery of the strategic aims and operational objectives of the Network for Net Zero Stakeholder Group (ISG)
- Work together collaboratively to ensure the collective efforts of the Network for Net Zero Stakeholder Group are aligned to ensure SSEN Transmission delivers robust performance in line with the RIIO-T2 business plan and the development of the RIIO-T3 Plan
- Prepare fully for each scheduled meeting including timely consideration of supporting papers and raising any issues in advance of the meeting with the Network for Net Zero Stakeholder Group Secretariat and/or the Chair

- Actively participate in meetings through attendance in person, discussion and review of minutes, conclusion of actions and consideration of operational Network for Net Zero Stakeholder Group documents
- Support open discussion and debate and actively encourage fellow members to voice their insights and opinions
- Adhere to the ISG's Code of Conduct and raise any concerns or conflicts of interest with the Chair at the earliest opportunity
- The ISG may be asked by Ofgem to review specific areas of the business plans if they decide there is a particular need or significant consumer or stakeholder interest
- It is for the ISG to challenge SSEN Transmission's identification of relevant stakeholders. The ISG will represent the interest of consumers and stakeholders and will play an important role in holding the company to account in respect to the delivery of its RIIO-T2 and RIIO-T3 commitments.

### SSEN Transmission, 'the Company'

- Have in place an Independent Stakeholder Group and recruit a Chair that acts in an independent capacity
- Establish clear Terms of Reference and governance arrangements for its ISG and publish them on its website
- SSEN Transmission will act in good faith in raising pertinent topics for scrutiny by the Independent Stakeholder Group
- The Managing Director will provide leadership in support of the ISG to ensure its effectiveness on all aspects of its purpose and role
- The Managing Director will achieve effective communication with the Chair of the ISG and, where appropriate, on behalf of the SSEN Transmission Board
- Ensure that the company's Board is fully engaged with the work of the ISG, and that this is reflected in the ISG governance arrangements
  - a Non-Executive member of the SSEN Transmission Board with responsibility for Stakeholder Engagement will attend ISG meetings as an observer
- Support the operational aspects of convening the ISG, providing a Secretariat, remuneration and reimbursement of reasonable expenses, information, training and induction for members
- Ensure the ISG has access to relevant data, information and evidence which will enable it to provide meaningful input and challenge. This includes:
  - providing access to the company's strategies and plans and information relating to its performance and culture. This input must be available sufficiently promptly for the ISG to provide effective scrutiny and feedback
  - Demonstrating how this feedback has been considered in any decision making prior to final submission of its business plan
- The company should provide sufficient financial, and other information to the ISGs to enable them to understand the overall company risk and reward package proposed in the business plan<sup>1</sup>.

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<sup>1</sup> Ofgem does not expect the ISGs to discuss or review specific financial topics, such as the cost of capital, treatment of debt or the level of gearing in the company (BPG 2.7), nor does it expect the ISGs to scrutinise matters of cyber Information Technology (IT), cyber Operational Technology (OT) or physical security upgrade plans (where relevant) with the company as these may involve sensitive information that it may not be appropriate to share with external parties (BPG 2.8)



- The company should provide sufficient cost information to the ISGs to enable them to understand the overall totex package proposed in the business plan, including how efficiency and value for money is being demonstrated.
- Provide the ISG with information and evidence that will enable it to monitor how consumers and stakeholders have been engaged and how any such engagement has impacted the delivery of the company's RIIO-T2 business plan, the development of its RIIO-T3 business plan and company decision making during the RIIO-T3 period
- Ensure the ISG has information relating to value for money for customers
- Provide comparative data from other energy companies (including RIIO-T2 performance data) and companies in other relevant sectors and such other background data as may be reasonably required and requested by the ISG
- Identify which stakeholders it thinks are relevant and for the ISG to challenge this
- Ensure the ISG has information about value for money for customers, including but not limited to the provision of clear bill impact data, of specific areas of funding as set out in Ofgem's Business plan Guidance<sup>2</sup> (4.53 and 5.54 of the Business Plan guidance)
- Ensure the ISG has access to relevant data, information and evidence that will enable it to provide meaningful input and challenge in the development and/or review of science-based business carbon footprint (BCF) targets
- Testing the quality and ambition of its business plan with the ISG, using the criteria set out by Ofgem (Stage C of the Business Plan Incentive [BPI])
- As part of its business plan submission, the company should include a statement, written and signed by the independent ISG Chair, confirming the following, as a minimum:
  - that an ISG has been established by the company with clear terms of reference, governance and membership in accordance with Ofgem's Business Plan Guidance and that the ISG has been fully engaged in the development of the company's business plan
  - that the company has provided the ISG with information and evidence that has enabled the ISG to monitor how consumers and stakeholders have been engaged and how much this engagement has affected the development of the RIIO-T3 business plan

## Ofgem

Ofgem is the energy regulator for Great Britain. Its role is to protect energy consumers, especially vulnerable people, by ensuring they are treated fairly and benefit from a cleaner, greener environment

- Ofgem will adopt a framework within which it will engage with the ISG to share insights and to provide feedback on progress
- Ofgem may ask the ISGs to review specific areas of the business plans if it decides there is a particular need or significant consumer or stakeholder interest

Ofgem may decide to request specific information from the ISGs relating to the responsibilities set out above as part of the Call for Evidence, to support their determinations of business plans

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<sup>2</sup> RIIO-3 Business Plan Guidance, Ofgem, 19 July 2024

## Format

The schedule of meetings will be agreed by the Chair and Secretariat in advance.

Meetings will be held quarterly as a minimum and more regularly as required up to a maximum of ten days per annum. Meetings will be convened at SSEN Transmission offices, either in Perth or Glasgow. Site visits may be convened at other locations to enhance understanding of SSEN Transmission's operational area.

## Agenda Items

SSEN Transmission's Managing Director and the Chair of the Group are responsible for planning items for discussion at the Network for Net Zero Stakeholder Group meetings. Proposed items for discussion are to be reviewed regularly to ensure the most salient issues at any given time receive priority.

The Chair is responsible for setting the Agenda for each meeting with support from the Secretariat.

## Standing Agenda Items

There are a number of standing Agenda items required to ensure the Network for Net Zero Stakeholder Group meets its objectives.

Each meeting shall include the following Agenda items:

- RIIO-T2 Business Plan settlement
- RIIO-T3 Plan development and subsequent Plan settlement

The following items will be reviewed, as a minimum, on an annual basis at the first meeting of the calendar year:

1. Membership of the Group
2. Members' Register of Interests
3. Terms of Reference

Reviews or amendments to the Membership, Register of Interests and Terms of Reference will be tabled as necessary at the appropriate time.

## Governance

### Conflicts of Interest

Members of the Network for Net Zero Stakeholder Group may have business interests other than those of SSEN Transmission.

Members are required to declare to the Chair any conflicts or potential conflicts of interest related to their membership of the Group. A Register of Interests will be maintained by the Secretariat and reviewed annually. In the event that a Member becomes aware of conflicts or potential conflicts of interest, these should be disclosed to the Chair at the earliest opportunity.

The Chair will discuss conflict of interest matters with the Managing Director of SSEN Transmission and agree what, if any, action is required to mitigate the conflict.

## Confidentiality

Members of the Network for Net Zero Stakeholder Group will, as part of their role, have access to commercially sensitive and confidential information. Members of the Network for Net Zero Stakeholder Group are required to accept the following restrictions:

- Members shall not divulge or communicate to any person, firm or company (other than those whose province it is to know the same) or use (for their own or any other person's benefit) (except as required in the performance of The Network for Net Zero Stakeholder Group duties hereunder) either during its appointment or at any time thereafter, any confidential information without the prior written consent of the Company or where required to do so by law
- Members shall use their best endeavours to prevent the publication or disclosure by third parties of any confidential information
- Confidential information shall remain the property of SSEN Transmission and members shall not be entitled after the termination of their appointment to retain or store in any manner, and shall surrender and deliver up to the Company on the termination of appointment, any documents, extracts or copies or synopses thereof or any information, programmes or material relating to SSEN Transmission Board and/or any of the Networks businesses which may have come into their custody or possession or to which they may have had access during their appointment

Network for Net Zero Stakeholder Group Members acknowledge and agree that they are required to enter into a non-disclosure agreement if this is considered necessary and appropriate should they become aware of, or have access to, any confidential information during the appointment term that is reasonably considered by SSEPD and/or the Networks businesses to be of particular commercial sensitivity and/or importance.

## Terms of Reference

The Terms of Reference will be reviewed annually at the first meeting of the Network for Net Zero Stakeholder Group in each calendar year. The Terms of Reference may be amended, varied or modified to ensure the role and function of the Independent Stakeholder Group continues to meet the requirements of Ofgem and SSEN Transmission. Proposed amendments to the Terms of Reference will be put forward in writing after consultation with the Managing Director of SSEN Transmission and the Chair of the Group.

## Secretariat

SSEN Transmission will convene and manage all practical elements of hosting the Network for Net Zero Stakeholder Group through a dedicated Secretariat.

The Secretariat will, for example:

- Support the Chair in planning the meeting schedule
- Support the Chair in identifying Agenda items and ensuring requirements of the Terms of Reference are tabled
- Support and facilitate communication between the Chair and the Managing Director of SSEN Transmission
- Convene each meeting at the request of the Chair
- Organise all such arrangements required to host each meeting, eg room bookings, refreshments, etc
- Provide timely notice of meetings to Members confirming the venue, time and date and Agenda items to be discussed and provide supporting papers where applicable
- Minute the proceedings, resolutions and actions of each meeting and keep records of all those present and record apologies
- Distribute minutes to the Chair for approval and, once agreed, distribute to all Members of the Network for Net Zero Stakeholder Group

- Distribute actions and challenges to the relevant senior staff within SSEN Transmission
- Manage and update the dedicated Network for Net Zero Stakeholder Group webpage on the SSEN Transmission website
- Manage expense claims put forward by Members
- Maintain the Register of Interests

## **Date approved**

2 August 2024