

RIIO-T2 User Group
Scottish Hydro Electric Transmission plc (SHE Transmission)
Terms of Reference

1. Purpose of the User Group

Stakeholder engagement is a core element of RIIO (Revenue = Incentives + Innovation + Outputs). RIIO is Ofgem's framework to setting the revenues recovered by the monopoly companies who run the gas and electricity networks in Great Britain. Ofgem want companies to respond to changes in how their networks are used, and this requires an understanding of stakeholder needs to be at the heart of the way companies run their businesses.

Ofgem first implemented the RIIO framework in 2013. The enhanced emphasis on engagement has led to better engagement between network companies and its stakeholders. However, Ofgem want to see further improvements to ensure the companies' plans for the future are aligned with consumer needs in a rapidly changing world. To do this, Ofgem want to strengthen the role stakeholder engagement plays in the process of setting the next round of price controls.

In March 2018, Ofgem published its consultation on the framework for the next set of price controls (RIIO-2). Ofgem outlined the intention to build on the progress that has been made and on good practice in other sectors. For RIIO2, Ofgem is introducing different models of stakeholder engagement. This will involve companies and Ofgem establishing Groups that will challenge the business plans proposed by the network companies for the next round of price controls.

- In distribution, this will be through a Customer Engagement Group
- In transmission, this will be through a User Group, who will also provide direct input to elements of the plan

In addition, Ofgem will establish a RIIO-2 Challenge Group. The RIIO-2 Challenge Group will look at the plans proposed from companies in both sectors and will operate in parallel with the Groups established by the companies.

A key feature of the models is that the Groups are independent, both from the companies and from Ofgem. Because the Groups are independent, they can offer 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.

SHE Transmission established its User Group in August 2018 and is made up of a Chairperson and 7 panel members.

The User Group will be:

- Independent, operating at arms-length from SHE Transmission and Ofgem
- Capable of providing a rigorous challenge to SHE Transmission
- Providing their views to Ofgem in the form of reports that they will receive alongside the final business plan submitted by SHE Transmission

2. Role and Responsibility of the User Group

The focus of the Group will be on the following areas (including but not limited to):

- the company's overall priorities and approach, for example at a strategic level does the company understand the range of changes happening within and to the energy system that could impact its activities
- direct input to identifying investment requirements and outputs representing desired performance levels and service quality improvements
- associated totex budgets (including level of cost efficiency improvements) for example has the company demonstrated how its proposals for expenditure efficiency/service quality improvement are sufficiently stretching? What evidence has the company provided to allow them to assess how the output targets and expenditure proposals:
 - o compare to historical levels of performance?
 - o compare to other network companies?
 - o compare to other industries?
- the stakeholder engagement the company has undertaken to inform their proposals
- the company's approach to innovation, including incorporating innovation into business as usual, and including innovative approaches and initiatives from leading global network companies
- the range of scenarios the company has considered to anticipate future network requirements and the company's approach to managing uncertainty and associated risks. This should include testing the 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
- what alternatives to the investment proposals has the company considered, including from parties offering alternative and non-network based solutions
- any issues of particular relevance to a local region – including any significant investment choices in their area, and provide challenge to decisions made by the company when considering competing interests and perspectives

The User Group will meet with Ofgem periodically (collectively and through the Chair as appropriate) to provide regular feedback to Ofgem on the progress made by the company, and on the process itself.

3. Term

The Terms of Reference is effective from 22 August 2018 and continues until December 2019.

4. Membership & Quorum

4.1 The persons listed in 4.3 are the members appointed to serve on the User Group.

4.2 The quorum necessary is 5 of the User Group members including the Chair. A duly convened meeting at which the quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the User Group. Members not in attendance will be offered a catch-up session and it will be their responsibility to ensure they are fully up to date at all times and that any input is made timely in line with the schedule outlined by the Chair.

4.3 Any other person whom the Chair may consider appropriate shall be entitled to attend and speak at any meeting of the User Group.

The User Group comprises:

- Tracey Barlow, Chairperson
- Wendy Barbour
- Graeme Stewart
- Niall Stuart
- Doug McAdam
- Julian Leslie
- Geoff Aitkenhead
- Gareth Harrison
- Jenna Black, Secretariat

4.4 In the unlikely event that Tracey Barlow, User Group Chair is unable to attend a User Group meeting she will appoint a stand-in Chairperson for that meeting only.

5. Chair Responsibilities

5.1 The Chair has the following responsibilities:

- Leadership of the User Group and ensuring its effectiveness on all aspects of its purpose and role
- Effective communication with the RIIO-T2 Project Lead and where appropriate the SSEPD Board

5.2 The Chair shall:

- 5.2.1 make the purpose of each meeting clear to members in attendance and explain the agenda at the beginning of each meeting.
- 5.2.2 clarify and summarise what is happening throughout the meeting.
- 5.2.3 encourage broad participation from members in discussion by calling on different people.
- 5.2.4 close each meeting with a summary of decisions reached and agree actions.

5.2.5 continually reinforce the timeline and purpose of the group.

6. Member Responsibilities

6.1 Individual members shall:

- 6.1.1 strictly observe and ensure observance by the other members of the User Group. Observe obligations placed on the User Group by the SSEPD Board, Ofgem, the Act, the Licenses and other legislation.
- 6.1.2 understand and take an active leadership role in the development and delivery of the strategic aims and operational objectives of the User Group.
- 6.1.3 work together as a team to ensure the collective efforts of the User Group and the wider organisation are aligned to ensure SHE Transmission deliver a robust business plan on time.
- 6.1.4 prepare fully for each scheduled meeting including considering papers and raising any issues in advance of the meeting with the User Group Secretariat and/ or the Chair.
- 6.1.5 actively participate in meetings through attendance in person, discussion, and review of minutes, conclusion of actions and other User Group Documents.
- 6.1.6 support open discussion and debate and encourage fellow members to voice their insights and opinions.

7. Secretariat Responsibilities

- 7.1 convene each meeting at the request of the Chair. Notice of meetings shall confirm the venue, time and date and specify agenda items to be discussed and attach all supporting papers.
- 7.2 minute the proceedings, resolutions and actions of all meetings and recording of all present.
- 7.3 distribute minutes of all meetings promptly to the Chair for approval and once agreed, to all members of the User Group.
- 7.4 distribute actions and challenges to the RIIO-T2 Project Lead.
- 7.5 manage the User Group dedicated webpage on the company's website.

8. Code of Conduct and Confidentiality

It is accepted and acknowledged that the User Group have business interests other than those of SSEPD and the Networks Businesses and have declared to the Company any conflicts or potential conflicts that are apparent at present. In the event that members of the User Group become aware of any other conflicts or potential conflicts of interest, these should be disclosed to the Company as soon as apparent.

The User Group acknowledge that in the course of its appointment, the User Group will have access to Confidential Information. The User Group have therefore agreed to accept the following restrictions:

- Panel 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 User 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.
- Panel 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 the Company and panel 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 SSEPD 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.

The User Group acknowledge and agree that they may be required to enter in to 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.

9. Meetings

Meetings will be held at a location agreed between the Chair and the Secretary. Based on the current information from Ofgem and topics of engagement the following engagement review schedule is proposed.

2018 dates -



2019 dates –



10. Communications

The Terms of Reference and the Notes of the meeting (anonymised or redacted if information is commercially sensitive) can be found at the User Groups dedicated website - <https://www.ssen-transmission.co.uk/talk-to-us/user-group/>

11. Amendment, Modification or Variation

The Terms of Reference may be amended, varied or modified in writing after consultation and agreement by the User Group.

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