

## **NGED DSO Panel Terms of Reference**

The energy sector is undergoing a significant and exciting period of change as the UK works towards a net zero carbon future. We are revolutionising the electricity network - not simply tweaking or evolving what we do. Change is already well underway, with unprecedented levels of flexibility, efficiency and new Distribution System Operator (DSO) capabilities already in place.

The Distribution System Operator is responsible for shaping the future development of the distribution network in line with future energy demands. This includes planning and network development and developing markets for flexibility.

However, within distribution businesses, there may be a perceived conflict between DSO and network ownership roles. The potential for any conflict to occur can be minimised and the impact diminished by ensuring appropriate steps are taken with respect to independence and governance. Clear and separate decision-making frameworks, supported by independent oversight, are key to promoting transparency on key DSO decisions.

Over the course of RIIO-ED2 (April 2023 – March 2028), NGED is committed to introducing measures to ensure independent oversight and external assurance of its DSO. This includes appointing and convening an independent DSO Panel.

### **1. Definitions**

- 1.1. Reference to “NGED” shall mean National Grid Electricity Distribution.

### **2. Purpose**

The panel will perform both ‘critical friend’ and forward-looking advisory roles to NGED’s DSO, providing constructive challenge to DSO activities and forward plans to ensure these are high quality and reflective of the needs of NGED’s DSO stakeholders. It will have the additional function of reviewing the effectiveness of DSO governance structures to ensure that the DSO is operating independently from the DNO and may recommend improvements to these structures.

### **3. Scope**

- 3.1. The scope of the Panel includes:

- Providing constructive challenge in ‘critical friend’ role on forward plans, activities and outputs to ensure these are high quality, consistent with NGED’s DSO commitments and reflective of the needs of DSO stakeholders.
- Assisting with the prioritisation of initiatives and trade-offs, and providing trusted, productive, and purposeful recommendations to NGED DSO leadership.
- Providing feedback on the effectiveness of internal governance measures in place. This includes reviewing external auditing reports and subsequent NGED DSO action plans to ensure that DSO frameworks and protocols reflect best practice.
- Providing trusted, productive and purposeful advice to NGED DSO leadership on recommendations for continuous improvement to the quality of DSO outputs and effectiveness of DSO operation. This includes, but is not limited to, providing input into the scope of future external auditing reports.
- Commissioning external research or analysis to support the Panel’s provision of feedback and recommendations on quality of DSO outputs and effectiveness of operation.

- 3.2. The DSO Panel's work programme will be agreed each year in advance between the Panel, Secretary and Director of DSO.
- 3.3. The DSO Panel is independent from NGED DSO, and no proposed action from the Panel should under any circumstances be construed as any commitment on the part of NGED DSO to adopt such suggestions.
- 3.4. The Panel shall not have decision-making powers over NGED operations.
- 3.5. The DSO Panel's feedback and recommendations will be taken to the next available NGED Executive Team meeting, and an update on how these will be further considered and addressed will be subsequently issued to the DSO Panel.
- 3.6. The Panel will have an annual budget to commission external research in line with agreed principles.

#### **4. Membership**

- 4.1. The Panel shall comprise a Chair and up to four (4) members.
- 4.2. If any of the positions listed above become vacant or are eliminated, NGED, with agreement of the Chair, may appoint another person to serve as an alternate member.

#### **5. Chair**

- 5.1. The Chair will be appointed by NGED 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 Panel meetings. NGED shall ensure that the Chair receives appropriate onboarding and induction.
- 5.2. Once the Chair is appointed, NGED cannot dismiss the Chair unilaterally without first notifying the members of the Panel. The Panel must understand the exact reasons for dismissal and may require further information, including through direct contact with the Chair ahead of any dismissal.
- 5.3. Ordinarily, the tenure of the Chair appointment will be for the RIIO-ED2 price control period.
- 5.4. If the designated Chair is not available, then a formal nominee shall be agreed in advance of the meeting with the consensus of Panel members. The Acting Chair will be responsible for convening and conducting the Panel meetings and for informing the Chair as to the salient points / decisions raised and agreed to at the meeting.
- 5.5. The Chair will also maintain working relationships with other NGED Committees' Chairs to encourage the sharing of good practice and learnings.

#### **6. Secretary**

- 6.1. NGED will provide, on behalf of the Panel, a Secretary who shall be an invitee of the Panel.
- 6.2. The Secretary shall make all materials available to the membership, as appropriate, in advance of the meeting to allow for a timely review. The Secretary shall receive notices of absence and is also responsible for producing the agenda and keeping track of action items. The Secretary shall be responsible for preparing and circulating minutes of the Panel meetings.
- 6.3. The Secretary shall provide support to the Chair and the Panel in the drafting and production of the Panel's agreed outputs.
- 6.4. The Panel shall have access to a secure SharePoint site for storage of relevant materials and documents. The Secretary will administer this site and ensure that it is up to date.
- 6.5. The Secretary will maintain appropriate working relationships with the other Committees to share good practice and learnings.

- 6.6. In conjunction with the Chair, the Secretary shall ensure that thorough onboarding is put in place for Panel members and that this is updated and refreshed as required.
- 6.7. The Panel Chair shall also have access to the President of NGED and the Director of DSO as senior points of liaison at NGED. The Secretary will support in coordinating engagement between the Panel and the senior points of liaison at NGED as needed.

## **7. Members**

- 7.1. Members of the Panel will be responsible for scrutinising and providing input and expert challenge to NGED.
- 7.2. In practice, this means individual members will:
  - Bring their expertise, insights and engagement skills.
  - Consider and review all documentation referred to the Panel.
  - Sign on to an agreed programme of work / forward agenda for the Panel. This will be discussed and adjusted with agreement from the Panel as requirements change or are further understood.
  - Be required to formally approve the Panel's Terms of Reference.
- 7.3. Members shall be appointed by the Chair and NGED and for a minimum of two years. This tenure may be repeated, subject to mutual agreement with NGED and the Chair, until the end of the price control period.
- 7.4. Members may be privileged to confidential or commercially sensitive information and may be required to sign a non-disclosure agreement.
- 7.5. Members shall advise the Chair of any change in their circumstances at the earliest available opportunity.
- 7.6. Members shall make every endeavour to attend all scheduled meetings. Apologies should be submitted to the Chair and Secretary in advance of meetings.

## **8. Quorum**

- 8.1. For the Panel meeting to be recognised as an authorised meeting, and for any recommendations or decisions to be valid, a quorum must be present. The quorum necessary shall be defined as a minimum of three (3) Panel members, which must include the Chair, or the Acting Chair.
- 8.2. Provision of recommendations and decision-making are by consensus in the first instance, and by voting in the second, ensuring that the Panel delivers a collective and agreed position.
- 8.3. 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.

## **9. Frequency of meetings**

- 9.1. The Panel shall meet as scheduled, broadly following a timetable of once every three months.
- 9.2. 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.
- 9.3. Chair approval is required for changes to agreed meeting dates.

## **10. Notice of meetings**

- 10.1. Unless otherwise agreed, notice of each meeting, confirming the venue, time and date, shall be circulated to each member of the Panel, and any other person required or invited to attend, at least one (1) month in advance of the date of the meeting.
- 10.2. When possible, unless otherwise agreed, the agenda of the items to be discussed, together with Panel papers and materials shall be distributed to the Panel, and any other person required or invited to attend, at least two (2) working days in advance of the date of the meeting.

#### **11. Conflict of interest and sensitive matters**

- 11.1. The presiding Chair (or Alternate Chair) should ascertain, at the beginning of each meeting, the existence of any conflicts of interest or matters of a sensitive nature and minute them accordingly. If any conflicts of interest exist with a member of the Panel on any particular issue, or if business of a sensitive nature is to be discussed, then such member(s) of the Panel shall not participate in the discussion or vote on the issue that gave rise to such conflict of interest.

#### **12. Minutes of meetings**

- 12.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Panel, including recording the names of those present and in attendance. The Secretary shall maintain and circulate an action item list annotated with progress milestones or completion dates.
- 12.2. The Secretary should minute at the beginning of the meeting the existence of any conflicts of interest that have been disclosed or that have otherwise come to the attention of the Panel, as referred to in 11 above.
- 12.3. Minutes of the Panel meeting shall be circulated promptly (and as soon as reasonably practicable) to all members of the Panel.

#### **13. Outputs**

- 13.1. Outputs shall include an annual report detailing findings and recommendations to NGED DSO. These annual reports shall focus on the effective operation of functional governance measures and the quality of DSO outputs, including how these reflect stakeholders' needs and expectations. The annual reports will comprise both an internal report, that is shared with the NGED Executive Team, and a summary for external use, which may be appended to NGED's DSO Performance submissions to Ofgem.
- 13.2. The Panel can also make Information Requests, which will be entered on an Information Request log. Information Requests are defined as detailed questions posed by the Panel as a collective, within its remit, and where it expects NGED to provide a response within an agreed period of time.
- 13.3. The actions and decisions including any information to be shared shall be dealt with by the Secretary.
- 13.4. The agenda, information and action logs shall be maintained by the Secretary and shared with the Panel.

#### **14. Time commitment and remuneration**

- 14.1. The expected time commitment is 15-18 days per year for the Chair and 8-15 days per year for Members. This does not include an additional 2–3-day onboarding period in year 1 to ensure the Chair and Members are sufficiently informed about

NGED's DSO business and have the requisite knowledge to provide insights and outputs.

- 14.2. The Chair and Members will be remunerated on a day rate agreed with NGED. Additionally, travelling and out-of-pocket expenses will be covered together with reasonable costs associated with the provision of any services, stationery, publicity, refreshments, etc.

#### **15. Gifts and hospitality**

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

#### **16. Transparency**

- 16.1. On the assumption of openness, these Terms of Reference and all associated governance documents will be published on the NGED website.
- 16.2. A profile of the DSO Panel members will be made publicly available. Matters of exception in relation to personal information will be agreed by the Chair in discussion with the Panel and / or relevant individuals and in adherence with data protection requirements
- 16.3. Each meeting's agenda and notes will be made publicly available within one week of the meeting having taken place. Matters relating to NGED commercial confidentiality will be agreed by the Chair in discussion with NGED.