SGN's Customer and Stakeholder Engagement Group – our invitation to dialogue on key issues for the energy sector

Context

The SGN Customer and Stakeholder Engagement Group was established in 2022 to advise and challenge the gas distribution company SGN as it develops its business plan for the next five years (sometimes called GD3). It was an evolution of the foregoing Customer Engagement Group required by the regulator for the last round of business planning and longer history of stakeholder engagement by the company. As such the group is very experienced, and SGN has come to value its role as critical friend and constructive challenger. Previously the group was very focused on the views and experience of the end customer – individuals and households and their experience of e.g., billing and service. As time has gone on and engagements with stakeholders deepened it has become apparent that customer and stakeholder interests are wider and more nuanced than this and research during GD2 told us that environmental issues were as important to them as affordability, and strategic and 'policy' issues as relevant as customer service scores. This has led the group in the early, information-gathering, stages of its role in relation to GD3 to seek out a range of expert voices, and attempt to frame our discussions and concerns in this broader and more future facing context. This short paper has been produced, following a panel session in Edinburgh in April 2023 to which experts in the wider energy industry, regulation and fuel poverty all contributed, to indicate the kinds of themes and issues that are emerging for us. It stands as an open invitation to dialogue to others.

Need for strategic conversation

Our recent session revealed to the SGN CSEG that our desire for strategic engagement on energy policy, the operational implications of pending choices, and the impact on communities, was shared by others in the industry and beyond, but currently unfocused. There appears to be an absence of leadership on this crucial agenda, at both Scottish and UK level. We debated whether the various industry bodies – gas distribution networks (GDNs) and their electricity counterparts could do more to lead this debate, and there was consensus that they could do more, but that, ultimately, they were not best placed to fill this policy 'vacuum'.

Rather, what is required is the orchestration of a collective effort involving all actors and wider consumer interests. The Just Transition Commission work in Scotland was thought to be one helpful dynamic, but other opportunities for a solutions-focused conversation with the right people in the room was needed. While not all of direct concern to GDNs – rather of contextual relevance to our core role advising SGN - our (initial) themes for such a conversation are as follows:

Recognising the reality of poverty

The industry and all involved need to properly recognise the extent of the hardship being experienced right across the community as a result of price increases. Energy and benefits/rights advisers on the frontline are seeing some of the worst and most widespread privation in living memory – it can be too easy to lose sight of this reality. All actors – networks, retailers, governments at all levels and the regulator need to share responsibility for an active and urgent response. It is clear that advocates for consumer interests have a critical role – recent decisions by OFGEM to e.g., restrict energy companies use of pre-payment meters is a good example where essential change has been wrought.

Upscale energy advice

While we know there has been a massive uptick in the number of energy advisors being deployed by the key third sector networks in recent months, it is still not enough to meet the challenge of the current cost of living crisis and the net zero demands of the near future. In the foreseeable future householders are going to be faced with potentially confusing options and the potential for disorganised and sub-optimal outcomes for individuals, neighbourhoods and whole communities is significant if better (organised) information is not developed. Our group has discussed how 'real' choice is for many customers, when faced with such complex scenarios, and whether a greater sense of ownership around planning isn't a preferable form of empowerment in this situation. In any case a strategic joining-up and modernising of energy advice provision is required – the use of the funds in GDNs' business plans allowed by the regulator for work on vulnerability (the VCMA) should be deployed to this end: a step-change using funds repurposed from the fuel poor network extension scheme (FPNES) is an imminent possibility.

Energy Efficiency Measures

Relatedly – it is clear to us that a new push on rolling out energy efficiency measures is required. Current government initiatives are underpowered, and a collective effort to make sure these reach homes across the community is required. It has been unclear in the past what the energy network companies' role is in this, with little, or perhaps a discouraging steer from the regulator. However, they are very well placed to contribute significantly and leadership in stepping up to this challenge is encouraged, along with a plea to government(s) and OFGEM to explicitly enable it.

Open data and data sharing

As in many areas of life better use of data is a key opportunity for our energy future. We are encouraged by SGN's strategic commitment to openness and efforts towards open data (such as the digital twin innovation project). Yet much more could be done in this regard with a wider range of partners to join up what we know about communities, their needs, the state of the housing they live in and the infrastructure that supports their neighbourhoods. Planning and resilience partners and – critically – the communities themselves should be enabled to use open and accessible data to develop tailored and appropriate solutions.

Workforce planning and skills

It has become evident that workforce planning for the energy industry is a key theme, in terms of the skills that will be necessary for the future for a more complex system and to create a more diverse and sustainable employee group more fully reflecting the communities they serve. The transition from 'old' technology to new has the potential to disenfranchise people, disrupt careers and cause unemployment, so reskilling efforts, working with educational institutions to build new career paths will be essential to prevent the loss of experience to the industry and create opportunities for new entrants. Customers and stakeholders have an interest in this agenda not just because they have an interest in safe and stable energy, but because they or their family members could be impacted – positively or negatively - by employment shifts. The CSEG has taken a particular interest in how SGN's work on hydrogen can benefit the communities in which trials are being developed – encouraging wider community ownership and benefit.

Just Transition

Encompassing employment transitions, and wider issues of equity, Scotland has made "just transition" visible and central to its future energy strategy; addressing directly some fundamental questions about what "just"

means in this context. Although achieving net zero should benefit everyone in the round, the transition will see relative winners and relative losers. How do we judge what is fair in terms of those relative gains and losses and what if any interventions need to happen to achieve equity? A small example of this, relevant to SGN, is how it deploys resources in Scotland and the South to secure good outcomes for customers in both regions. Does it treat the citizens of both England and Scotland strictly equally or does it account somehow for the differing ambitions and policies of the two jurisdictions?

It should be noted that Scotland and England have different targets for achieving net zero, with Scotland legally committed to a faster pace (2045 rather than 2050) and an interim target by 2030 of a 75% reduction in GHG emissions compared to 1990 (also a statutory, legally binding target). This exceptionally tight target is what is driving the short to medium term heat decarbonisation ambition of 1 million homes by 2030. For SGN – with operations in both Scotland and the south of England - these differentiated legal and policy environments provide an interesting strategic challenge. The CSEG would like to see a greater appreciation by OFGEM of these different drivers.

Whole systems and collaboration

Above all our conversations to date have led us to the conclusion that customer and stakeholder interests are best served – in both the short and long term – by the different actors in the system collaborating much more and sharing a whole system perspective. The role of local authorities in planning and in supporting their communities we feel has become overlooked and should be brought back into focus; Local Heat and Energy Efficiency Strategies (LHEES) to be led by LAs in Scotland have real potential. We have been particularly concerned about the (cost) implications for those remaining on the gas grid of some apparently one-dimensional approaches to heat decarbonisation, and the potential for stranding assets in which the public has heavily invested. Breaking out of pre-existing silos of thought, policy and operation is going to be essential to building a future with good and just outcomes for all. We encourage organisations and institutions to consciously break with behaviours of the past and seek new partnerships and ways of working. It is with this in mind that this group – with our own particular role – is publishing this short note in the hope that it can in some small way stimulate other opportunities for discussion and sharing.

For information on the CSEG and to follow up the conversation, see: https://www.sgn.co.uk/about-us/our- stakeholders/customer-and-stakeholder-engagement-group

Our second conversation – London September 2023

Following up on the need for strategic conversation we identified in April, the CSEG hosted a further panel session in London in September 2023.

Many of the themes that emerged from our April discussion were revisited – but given our location in the south and the specialisms of some of our guests, with interesting new aspects. Firstly – the exposure of those already vulnerable to rising fuel costs was highlighted for us by colleagues from charities partnering with SGN through the Vulnerability and Carbon Monoxide Allowance (VCMA) programme. Those with a diagnosis of terminal illness can be overlooked by more generalised support systems, and people with disabilities can have extra energy demands for e.g., specialised equipment that go unaccounted for. The discussion emphasised for us again the need to better use the tools we have to hand, especially the Priority Services Register, to enable better collaboration on the frontline – even where strategic collaboration is lacking.

The discussion of energy companies' relation to health and care systems served to highlight again the growing policy diversion between Scotland and the South – a particular challenge for SGN, but also offering the potential for cross-learning and trialling different approaches. Both in relation to social care, but also housing and other community infrastructure input on the role of local authorities also helped mark the difference in approach north and south, with partnership and focused planning around energy in localities coming across as much less mature than we understand them to be in Scotland – though with significant work everywhere required to turn good intentions into genuine collaborative implementation.

The massive challenge of finance in a context of cuts to all local services marked a real worry to attempts to increase collaboration with cost-shifting a disincentive to a whole system approach. Being open about these issues and pro-actively addressing them surfaced as an important aspect of the agenda – not just in the short term to deal with immediate needs, but in the longer run as we transition to new energy systems.

The need to be upfront about the costs of decommissioning the gas network, whether in its entirety or along side the repurposing of parts of the network for hydrogen, was a key theme of our earlier discussion, but it was developed to urge whole system thinking about sharing the costs, acknowledging where the benefits potentially lie also, with thinking about straightforward mechanisms to recompense shifts from gas to electricity being advocated. The current absence of an overarching policy direction in this context was acknowledged by all in the discussion – as was the need to strike a balance between investment for safety and wasting consumers/public money by spending too much on infrastructure that may ultimately be decommissioned. There was explicit acceptance that the 2026 date for a decision on heat direction of travel added complexity to the gas network business planning round in progress right now.

A theme which came up strongly in this context was the importance of collaboration between key actors in the energy system. All agreed that gas and electricity network companies operating in the same geographical area need to work closely together to support their joint customers and to ensure a joined-up approach to developing the energy system. The discussion also highlighted the important role of local authorities in this space. In Scotland we expect the first round of Local Heat and Energy Efficiency Strategies (LHEES), Local authority led plans focused on decarbonising heat and buildings, to be published across all areas at the end of 2023. In England there is no standard format for local energy planning, but local authorities are well placed to coordinate and in general seem keen to do so. And, as a local authority guest highlighted, they are already at the heart of supporting local citizens to deal with a wide range of challenges including those related to energy.

Short of a steer from government on the future role of gas networks in the energy system, an emphasis on evidence building and research and development was recommended for GDNs' GD3 business planning – to prove the case for hydrogen and underpin public choice in the future. This prompted some discussion about possible changes in political leadership at both UK and Scotland level in the course of GD3 and how best to both influence and navigate that.

Sustainability of the workforce was another recurring theme offered a fresh perspective by charity guests, who offered help to take recent efforts by SGN to address diversity and inclusion challenges to the next level. The particular needs of those with a terminal illness diagnosis who wish to stay in work, those suffering bereavement, and those with a disability – perhaps as yet unacknowledged in the workplace – were raised along with some recommended methods for addressing them - e.g., staff networks and buddying schemes, perhaps across GDNs as well as within SGN.

Overall, the discussion built on our earlier session in Edinburgh and added something fresh to our considerations on behalf of customers and stakeholders. As importantly all participants welcomed the initiative and urged us/SGN to lead a new way of going about the business of planning and delivery for customers, with more cross-utility working and more engagement with citizens and communities as an essential pre-requisite. We welcome others to the debate.