

Interim ISG Report – Sept 2025 to March 2026

EXECUTIVE SUMMARY

This paper is for information.

SSEN Distribution's Independent Stakeholder Group (ISG) plays a key part in the ED3 business planning process. The purpose of this interim report is to familiarise the Board with the role of the ISG and provide a brief overview of its governance and progress in the six months since it was established in September 2025.

The report sets out the regulatory expectations in this area, the breadth of expertise provided by the ISG's membership, how the Group has evolved since ED2 and how it is aligned with wider stakeholder groups and the work of SSEN Distribution itself. The Group's communications and the importance of transparency are noted.

A summary of the topics discussed in the ISG's monthly meetings is provided along with an outline of the Group's overview of customer and stakeholder research. The key challenges that the Group has raised to date follows. These include several challenges relating to the balance between short and long-term interests such as how to reflect the views of future consumers in the ED3 plan, the phasing of investments in the business plan and the handling of depreciation.

The report goes on to share several high-level reflections on the work of the ISG to date. The openness, collaborative approach and responsiveness of the SSEN Distribution team are commended. The need to further strengthen the strategic public narrative around the business plan, particularly around future investment and affordability, is highlighted.

A summary of topics for discussion in the next six months follows. The ISG will present a full annual report to the Board in July this year.

Governance

The Role of the ISG and What Ofgem Expect

The ISG exists to provide independent scrutiny, challenge and strategic advice on the development and delivery of the ED3 business plan, ensuring that stakeholder and customer views are genuinely embedded in key decisions.

Ofgem's expectations in ED3 are that ISGs operate at arm's length, act in the interests of consumers and stakeholders, transparently challenge how engagement has shaped proposals, and strengthen the credibility of SSEN-D's plans through clear evidence of impact, accountability and published reporting.

The regulator wants ISGs to play an enduring role in holding the company to account in delivering on ED3 commitments to 2033.

Membership

The ISG currently comprises eight members, including three recent appointments, reflecting a broad mix of expertise, an appropriate balance of skills and experience in line with its Terms of Reference and a desire to avoid a 'cliff edge' of reappointments. Independence is safeguarded through clear eligibility criteria and the formal management of conflicts of interest, with all members

required to declare any actual or potential conflicts at the start of each meeting. The rotation of members also helps avoid corporate capture; members have fixed term contracts of no more than five years which can be extended but not beyond two business plan terms. Members are supported through a structured induction and ongoing development, including deep-dive sessions on key ED3 topics and participation in site visits to strengthen understanding of network operations.

		Main areas of expertise					
	Term of Office start date	Consumer research & stakeholder engagement	Energy sector, asset management, innovation & data	Local area energy & infrastructure planning	Regulation	Consumer Policy	Environment and Sustainability
Sharon Darcy (Chair)	September 2025	✓	✓	✓	✓	✓	✓
Claire Whyley (Vice Chair)	December 2023	✓			✓	✓	
Tamar Bourne	February 2017		✓				
Chris Watts	September 2019		✓		✓		
Fayza Benlamkadem	September 2023				✓		✓
Barry Coughlan	September 2025	✓	✓		✓	✓	
Andrew McMunnigall	November 2019		✓	✓			
Barbara Whiting	March 2026	✓	✓	✓			
Keith Gardner	March 2026		✓		✓	✓	

The ISG's Evolution in Distribution

Stakeholder engagement governance has evolved over time in line with regulatory expectations and the increasing importance of customer and stakeholder input. From February 2019,

engagement was supported through a Stakeholder Advisory Panel (SAP) during ED1. This subsequently evolved into the Powering Customers to Net Zero (PCNZ) group, which operated alongside the Customer Engagement Group (CEG) during the early stages of ED2. Throughout ED2, the CEG was the primary formal mechanism for independent challenge of the business plan, with elements of the SAP and CEG later brought together to streamline engagement and oversight.

Building on this and in response to emerging Ofgem expectations, a formal Independent Stakeholder Group (ISG) was established in September 2025, with a refreshed remit, new Chair and additional members, to provide independent scrutiny, challenge and assurance throughout the development of the ED3 business plan and beyond.

Alignment with Internal and External Stakeholder Groups

The ISG Chair meets quarterly with the Chairs of SSEN Distribution's DSO Advisory Board and the Inclusive Service Panel to share updates, discuss emerging issues and support joined-up oversight across the three independent groups. The ISG has agreed nominated members of the Group to attend the DSO Advisory Board and the Inclusive Services Panel once a year, and the DSO Advisory Board Chair and the Inclusive Services Panel Chair attend the ISG once a year, in addition to ongoing liaison on issues of shared interest. The ISG Chair also engages regularly with other DNO ISG Chairs, who hold regular meetings with NESO and Ofgem, helping to maintain alignment with wider sector and regulatory thinking.

Alignment with SSEN Distribution

The ISG's monthly meetings are scheduled to align with the work of the Distribution Board enabling early engagement on key issues and an iterative approach to the development of the ED3 business plan. SSEN-D senior executives regularly attend ISG meetings to contribute to, and hear, discussions first hand and the ISG Chair has regular meetings with the Managing Director and with Maxine Frerk as the NED consumer lead on the Board. Maxine will attend an ISG meeting once a year and the ISG Chair will have an annual session with the Board.

The ISG is well supported in its work by a small SSEN Distribution Secretariat.

Transparency and Communications

The ISG webpage provides transparency on the role and operation of the Group, including its purpose in providing independent scrutiny and challenge of SSEN Distribution's ED3 business plan and stakeholder engagement. The page sets out the remit of the ISG, details the independent Chair and members, and publishes key governance information such as the Terms of Reference, meeting dates and minutes, supporting openness and accountability to stakeholders, customers, and Ofgem.

To further support transparency and consistent understanding of the ISG's role, an interview with the ISG Chair was recorded with the SSEN Distribution Managing Director and shared publicly, setting out the purpose of the ISG, its independence, and how it provides scrutiny and challenge throughout ED3. In addition, a video on internal guidance for workstreams has been developed, including a recorded piece from the Chair, to clearly explain what the ISG expects from workstreams when they present to get the most value from the sessions.

ISG Activity, September 2025 – February 2026

The following table summarises the key issues discussed in the ISG’s monthly meetings. The Group were pleased to be consulted on the ED3 Early Business Plan Proposals and to have the opportunity to consider each of SSEND’s ED3 workstreams at an early stage before they are brought together in an integrated strategy and plan.

ISG Session	Key topics addressed	Summary of areas discussed
September 2025	ISG governance and ways of working; ED3 regulatory context; consumer value framework; stakeholder engagement and research	The inaugural session of the ISG focused on establishing governance, Terms of Reference and ways of working for ED3, including how the ISG interfaces with the ISP and DSO Advisory Board. The Group reviewed Ofgem’s emerging ED3 guidance and discussed the shift from ED2 CEG scrutiny toward assessing the depth, breadth and quality of engagement. Substantial discussion explored the proposed Consumer Value Framework, with the ISG raising concerns around timing, segmentation, benchmarking risk and the need to focus on long-term value rather than bill minimisation. The session also reviewed ED3 stakeholder engagement principles and early consumer priorities research, challenging how future consumers, digital exclusion and vulnerability are captured and emphasising transparency and quality over volume of engagement.
October 2025	ED3 strategy and priorities; consumer priorities research; customer and vulnerability; programme governance	The ISG reviewed early ED3 strategic thinking, including emerging priorities and alignment with Ofgem guidance, with a strong focus on affordability and customer outcomes. Significant discussion centred on consumer priorities research, including the limitations of traditional focus groups and the need for more immersive and deliberative methods, particularly to capture future consumer perspectives. The Group scrutinised the Customer and Vulnerability workstream, challenging how engagement, data and partnerships are used to support vulnerable customers and ensure lessons from ED2 (including storm response) are embedded into ED3 planning.
November 2025	ED3 strategy and regulation, reliability, climate resilience and environment; deliverability, supply chain and environment	This session considered ED3 regulatory strategy, affordability and delivery, with detailed scrutiny of SSEND’s draft priorities following Ofgem’s Sector Specific Methodology Consultation. The Group challenged how affordability, intergenerational equity, resilience and innovation are reflected in emerging proposals, including the treatment of bill impacts, spend profiles, depreciation and ED2 underspend, and raised concerns about potential double penalties and unintended regulatory consequences. The ISG also reviewed progress on Strategic Development Plans and tRESP alignment with NESO,

		alongside detailed discussion on reliability performance, climate resilience and environmental priorities. It examined deliverability, workforce capability and supply-chain readiness, emphasising the need for robust evidence, clear governance and early engagement as ED3 planning accelerates.
December 2025	ED3 strategy and regulation; ED2 Uncertainty Mechanisms; Cyber resilience and IT&OT; Load and DSO	This session reviewed the early business plan proposals and programme governance. The Group examined cyber resilience, IT and data, emphasising trust, security-by-design, integration of IT and operational technology, and the need to better articulate customer value, inclusivity and outcomes as digitalisation accelerates. The session also covered ED2 load-related uncertainty mechanisms and their role in responding to accelerating demand growth, alongside Load and DSO planning, including forecasting accuracy, flexibility versus reinforcement, and the implications of electrification and data centres, with the ISG stressing robust evidence, place-based approaches and stronger whole-system coordination with NESO and other stakeholders to support long-term customer value and ED3 delivery.
January 2026	ED3 business plan fundamentals, Connections and LV strategy; whole-system coordination	The Group received a detailed update on the evolving ED3 business plan structure and Ofgem expectations, with particular focus on cost assessment, financeability and bill impacts. Substantial time was spent scrutinising connections and LV strategy, including unlooping, data limitations, customer disruption and the case for more programmatic, place-based approaches. The ISG challenged how customer journeys, vulnerability and fairness are reflected in technical strategies and emphasised the need for clearer narratives to support public and regulatory legitimacy.
February 2026	Affordability and value for money; finance and efficiency; innovation; stakeholder engagement and research	The February session centred on affordability, intergenerational fairness and value for money, with in-depth challenge on how ED3 investment decisions balance short-term bill impacts against long-term system benefits. The ISG scrutinised finance and efficiency assumptions, including ED2 outturns, depreciation, cost assessment risks and investor expectations. Innovation was reviewed with a focus on deployment, culture and evidencing outcomes, while stakeholder engagement discussions highlighted progress on synthesis reporting, joint consumer research (including unlooping and climate resilience) and the importance of deliberative engagement to support robust ED3 decisions.

As well as the items above, the ISG has regular regulatory updates covering emerging requirements and quarterly business updates to monitor ED2 progress and general business activity.

Consumer and Stakeholder Research

In addition to the monthly meetings, the ISG has been actively involved in a range of engagement activity across the business, providing oversight and input into the design and prioritisation of consumer and stakeholder research to inform the ED3 business plan, and reviewing this work from inception through to delivery. Members have also observed engagement in practice, attending stakeholder events and workshops to gain first-hand insight into how SSEN listens to and responds to stakeholder views. This has included participation in Customer and Vulnerability Think Tanks and observation of consumer focus groups undertaken as part of the consumer priorities research, and discussions with the market research agency on the triangulation and synthesis of research, supporting the ISG’s assurance of the quality, depth and effectiveness of engagement.

Challenge Log

The ISG keeps a record of action points raised in meetings as well as a log of challenges raised. The Group has published the principles it uses to decide if something is a challenge. The intention is to keep the challenges focused on the ISG’s core role, resulting in a concise log that enables clear tracking of company responses. It is clearly important that these challenges are thoroughly socialised in the business so that executives coming to ISG meetings can address them and, crucially, they are considered in the emerging business plan proposals.

Challenge from ISG	Date Raised
When undertaking stakeholder engagement and research, please consider how much of the findings could, and will, be shared publicly. By adopting an "open data" approach, there is an opportunity to take a leadership position, increase transparency, reduce duplication and stakeholder fatigue, and build upon the "Intellectual" capital of the 6 Capitals Framework.	03/09/2025
Traditionally "future Consumers" have been considered those between the age of 18-29 who do not, at present, assume responsibility for payment of utilities. When thinking about future consumers, it is important to also consider the "household of the future", considering consumers increasing use of technologies, use of electricity for heat, power and transport and their potential appetite for micro generation. How could this segment be considered within the plan? Could there be an opportunity for a future innovation in this space.	03/09/2025
Consider how innovation is cultivated and integrated on a BAU basis, and beyond the dedicated funding channels such as NIA and CIF. How is the culture influencing surfacing and adoption of innovation within the business.	11/11/2025
SSEN to include modelling short, medium, and long-term impacts, including independent analysis and evidence (e.g., Oxera research), to inform ISG’s role in phasing decisions.	10/02/2026
The ISG raised concerns that the term “depreciation holiday” is emotive and risks oversimplifying a complex issue, and asked that future materials use clearer, more neutral language	10/02/2026

Early Reflections

Six months into its work, the Group is pleased to see the clear regard for the ISG throughout the business with evidence of strong messaging to workstreams regarding the nature, timing and quality of inputs to the group, and coaching on how to get the best out of time spent with it. Clear steps have been taken to align ISG and SSEN-D decision making, with strong links with the board and by and large good SSEN-D representation at ISG meetings.

The collaborative and open relationships the ISG has with the team, and its early engagement in the business planning process, has put it in a good position to challenge business plan decision making at a formative stage.

As a result of ISG feedback, the executive team have made more space for questions and discussion in Group meetings and the sessions now feel genuinely interactive with sufficient time allowed for the ISG to put questions and challenges to staff. Staff are generally open about the gaps in the evidence base, areas of concern/disagreement, unresolved issues etc and are responsive to suggestions and requests. The transparency and openness around the evidence base being created puts the ISG in a good position to thoroughly scrutinise the plans coming forward. For example, the consumer research synthesis report is going to be a huge asset to the ISG and is a clear, comprehensive way of setting out all the stakeholder engagement evidence to date for the ISG to challenge.

In addition to the specific issues raised in the challenge log, there are several areas where SSEND could further strengthen its approach and make more of the opportunity provided by ISG in-put. For example, the company could do more to tell the SSEND story at the macro level, providing a context to its proposals which draws on its position on things like the impact of policy costs on bills and its work on ESG. Strengthening the strategic public narrative around the business plan, particularly around future investment and affordability, can help explain to key stakeholders the reasons behind some of the company's proposals.

ISG members have also observed that some presentations from the business can come across as siloed; it is not yet clear whether this is a substantive or a communications / presentational issue. Focusing on existing and future challenges and opportunities, rather than providing a narrower 'sales pitch', can help get the most out of the session.

Going forward, as well as starting to see concrete responses to the challenges raised, the ISG will want to develop a clear understanding of how SSEND is approaching trade-offs between stakeholders/views in relation to decisions within and between work streams and between short and long-term investment. In addition to this, there is a need to address the ongoing challenge of managing customers expectations that bills will reduce in the future - clearly expressed in the company's consumer priorities research - with the need for significant investment to reach net zero goals.

ISG Forward Agenda

The next six months represent a critical period in the development of the ED3 business plan, as key strategic choices, evidence and proposals are refined ahead of submission. During this phase, the ISG will play an important role in providing independent scrutiny and challenge, ensuring that stakeholder and customer engagement is genuinely shaping decisions, emerging issues are identified early, and the business can clearly evidence how feedback has influenced priorities, trade-offs and commitments. Through this continued focus, the ISG will support the credibility,

transparency and robustness of the ED3 business plan. The monthly meeting schedule will cover the following topics:

- 10th March: Quarterly Business Update and Load
- 8th and 9th April: Long-term integrated plan and 10-year delivery strategy; Asset Management and Reliability; Climate Resilience and Environment; Customer, Vulnerability; Data and Digital; IT & OT
- 14th May: Long-term integrated plan and 10-year delivery strategy; Innovation; DSO Strategy; LV Strategy; Connections
- 11th June: Review key business plan materials and minimum requirements check; Finance and Affordability

The ISG chair will present a formal annual report at the Board's July meeting including:

- A summary of the ISG's annual programme of work
- A log of ISG recommendations and challenges and review of SSEN-D's actions against these
- A survey of ISG member and SSEN-D team views on the ISG's work
- The ISG's plan for the following 6 months