SSEN Distribution Independent Stakeholder Group (ISG)
Annual Report
September 2025 to June 2026

1. Executive Summary/Chair's Foreword

This Annual Report comes at a critical stage in Ofgem's Electricity Distribution 3 (ED3) business planning process. Each SSEN Distribution (SSEND) workstream has clearly done significant planning in their own area. The company has undertaken substantial consumer research and stakeholder engagement. The detail behind these individual plans is now being fleshed out and the proposals are being pulled together into one coherent plan.

All this work is taking place against a backdrop of significant geo-political upheaval and accelerating climate impacts. Affordability concerns have risen even higher up the agenda and resilience pressures are growing. At the same time, the ED3 policy and regulatory framework still leaves significant uncertainties around the pace of investment/decarbonisation required. Getting the balance of future investment 'right' is now more important – and challenging - than ever.

The ISG recognises that this report comes at a point in time in a complex process and against this difficult backdrop. It needs to be read in this context. The report is designed to provide not only an account of the ISG's work to date (as required by Ofgem) but also a clear steer, at this pivotal moment, on what SSEND can do to strengthen its business plan further and ensure that it is truly shaped by customer and stakeholder priorities.

The ISG commends SSEND's open and collaborative culture which has enabled the Group to fulfil its remit effectively. The ISG's work to date indicates a positive view of SSEND's ED3 business planning process in the following areas:

- **Consumer research and stakeholder engagement** – this is a real strength. The improving engagement culture now needs to be adopted more widely in the business in recognition of its ongoing business value, not just as a compliance activity for the price control.
- **Collaborations and partnerships** – there are good foundations here with an opportunity to build on these further through more strategic, place-based and community approaches.
- **Innovation and smarter networks** – SSEND are on a positive trajectory in this area, but more is needed in terms of how this is embedded in BAU at scale (rather than being treated as a silo activity) and linked to positive customer and stakeholder outcomes.

An overarching concern from the ISG has been that SSEND's strategy is not always clearly evidenced or explained, particularly at a granular level. The specific areas of ISG concern in the business planning process at this stage include:

- **Affordability and fairness** – there is a clear need for a much stronger, joined up and transparent approach, particularly around distributional impacts and trade-offs (between customer groups, regions and generations and between different outcomes).
- **Vulnerability** – gaps around inclusion need to be addressed, commitments need to be better evidenced and plans more clearly linked to monitored customer outcomes.
- **Reliability and connections** – the ISG need to see more evidence in these areas, including from benchmarking and root cause analysis.

- **Delivery risk** – the policy and regulatory environment make this challenging, but a real- world view of feasibility, not just high-level strategy, is needed to assess the credibility of plans.

2. Introduction

This report begins by outlining the ISG's governance, including a reminder of its terms of reference, membership, key activities during the year, challenge and action logs, and steps taken to align its work with other stakeholder groups. This is followed by a short assessment of the ISG's effectiveness, taken from the May 2026 survey of ISG members and relevant people in the SSEND team.

A summary account of the ISG's views on the issues covered in its work programme follows. This includes an overarching commentary of the key areas of current ISG support and concern.

The final section of the report considers the ISG's forward plan and next steps.

3. ISG Governance

3.1. Overview

The ISG's governance arrangements, ways of working and activities to-date were set out in detail in its Interim Report published in March 2026. The following section summarises these arrangements and provides an update on activities in the last four months.

3.2. Terms of Reference

The ISG's Terms of Reference are published on its microsite. These include some minor changes that were made in June 2026 to reflect Ofgem's latest guidance in the Sector Specific Methodology Decision (SSMD).

3.3. Membership

As outlined in the table, the ISG's members have significant collective technical, regulatory, consumer protection, stakeholder engagement and research expertise. Given the new SSMD requirement on ISGs to review the Connections Strategy, the ISG is exploring ways to directly hear from connections customers, to supplement the Group's existing expertise and insights.

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		✓		✓	✓	

3.4. Activities

The ISG has continued to hold monthly meetings throughout this period. The Group has now considered all the key topics required under Ofgem ED3 guidance at least once. Since the ISG's Interim Report, this has included sessions covering: load and affordability (March); the Long Term Integrated Network Plan, asset management and reliability, climate resilience and the environment, customer and vulnerability, data and digital (April – two day meeting); supply chain, DSO, connections, LV strategy (May); and climate resilience and the environment, vulnerability and SSEND's Options paper (June).

In addition to these topic-based discussions, ISG monthly sessions have included quarterly business updates from the MD to enable the Group to monitor ED2 performance and expenditure and form a view as to the baseline for ED3. The company has shared early versions of its Early Business Plan Proposals. Sessions have also covered regular updates on stakeholder engagement and evolving regulatory and policy requirements, including the Sector Specific Methodology Consultation (SSMC) and the Sector Specific Methodology Decision (SSMD), and proposals on the Consumer Value Framework, the need for the proportionate use of Price Control Deliverables (PCDs) and the DNO role in Low Carbon Technologies (LCTs).

In parallel to the regular monthly sessions, Group members have attended deep dives on topics such as Social Return on Investment (SROI) and vulnerability mapping tools and innovation. Members have taken part in calls with Create Clarity (SSEND's consumer research agency) and sessions where the consumer priorities research findings have been socialised with the wider SSEND team. The ISG Chair was also invited to speak at and attend the SSEND extended leadership conference in April.

In the monthly meetings, SSEND has kept the ISG informed of the programme governance arrangements and resourcing situation. ISG meetings are timed to synchronise with Board meetings and the ISG is tapped into SSEND's governance processes; the Chair has a bilateral call with the SSEND MD, and a separate bilateral meeting with a Non-Executive Director from the SSEND Board, every other month to discuss emerging issues.

Site visits have also been organised for the ISG, including to the Iver Substation, the Training Centre and the Control Room.

3.5. Challenge and Action Logs

The ISG has a policy of keeping a relatively short challenge log.

The Group keeps a separate action log. Both the challenge and action logs are reviewed at every meeting. As the business planning process enters a critical phase, the ISG has been keen to see challenges being more clearly reflected in plans. The Chair has also discussed with the SSEND team how challenges are socialised with the wider staff base to enable this to happen in a timely way.

After each ISG session, the ISG chair sends an E Mail to the Secretariat to share feedback on how it has gone, raise any issues for future consideration and to request feedback from the SSEND team.

3.6. Alignment With Other Stakeholder Groups

The ISG Chair continues to meet on a quarterly basis with the Chairs of SSEND's DSO Advisory Board (DSOAB) and Inclusive Services Panel (ISP) to exchange stakeholder insights and discuss common issues. The chairs from these groups attend ISG meetings for relevant agenda items. Regular calls are also now taking place between the SSEND ISG Chair and the Chair of the SSEN Transmission ISG to discuss common issues.

The SSEND ISG Chair also takes part in regular meetings with ISG chairs from other DNOs, Transmission Operators and Gas Distribution Networks, Ofgem and NESO. Insights from these meetings are fed back to ISG members by E Mail and/or at the end of each ISG monthly session.

4. How Has the ISG Worked to Date?

The ISG, and relevant members of the SSEND team, completed a survey in May 2026 as part of the ISG's annual effectiveness review to understand how the ISG is operating and gather feedback on areas in which the Group can develop and improve. The ISG Chair completed the survey but did not answer questions relating to the Chairing of the ISG, and average scores were amended accordingly. Responses by the two groups were analysed separately and together by the ISG's vice chair to ensure independence.

Most of the responses to the survey were very positive, with an average score of 4.4 out of 5. Overall, ISG members consider the Group is effective in influencing SSEND thinking resulting in some changes to business plan development; albeit at this stage in the process it is too early to say whether these changes are subtle or substantive. Apart from a few areas, the scores from ISG members were similar to those of the SSEND team. Areas which scored comparatively lower (but were still positive) include:

- **Focus and timing of discussions**. ISG member responses indicate that whilst the focus has been in the right place to date, a more in-depth and granular approach is now needed which sets out conflicts, trade-offs and priorities. The sub-groups are seen as a positive development here. While the Group values early engagement on formative ideas, the SSEND team reports that it can create timeline pressures and lead to presentations being shared before sufficient detail is available.

- **Papers**. There was a divergence of views here between the ISG and SSEND. ISG members gave this the lowest score in the survey (3.6) and expressed concerns around the timing and content of some papers.

"This has been more mixed with some papers sent out too late to have sufficient time to digest them before meetings." (ISG Member)

Most papers are well prepared, but some don't ask questions of the Group or struggle to engage us at the right level of detail. (ISG Group Member)

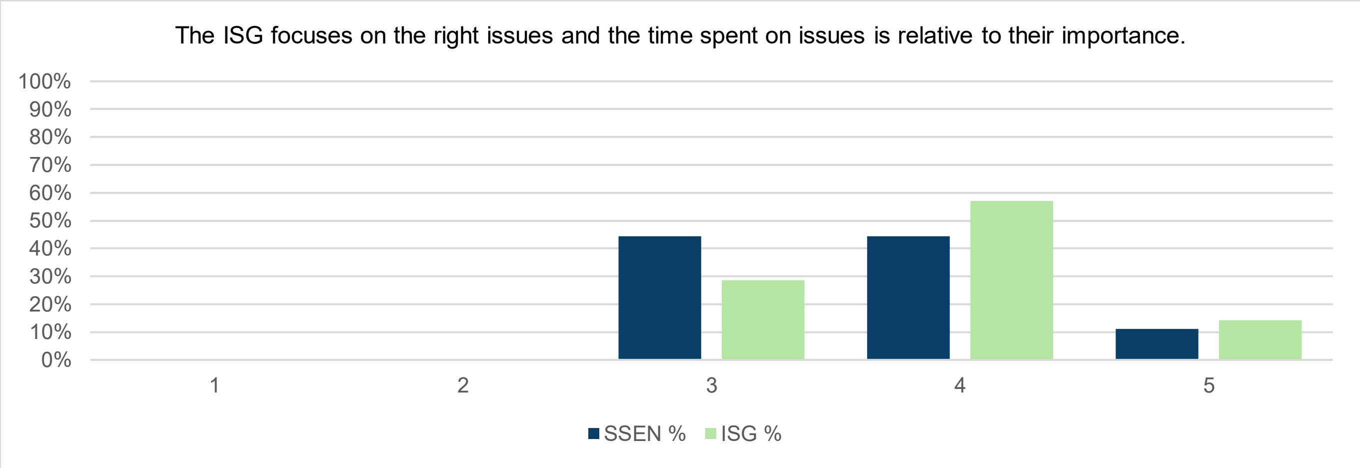
Appreciate this is not always the perspective of the Group, but the team are working very hard in the background and sometimes feel like their efforts are not recognised. At times, a bit more flexibility from the ISG would actually enable a better conversation. (SSEND Staff Member)

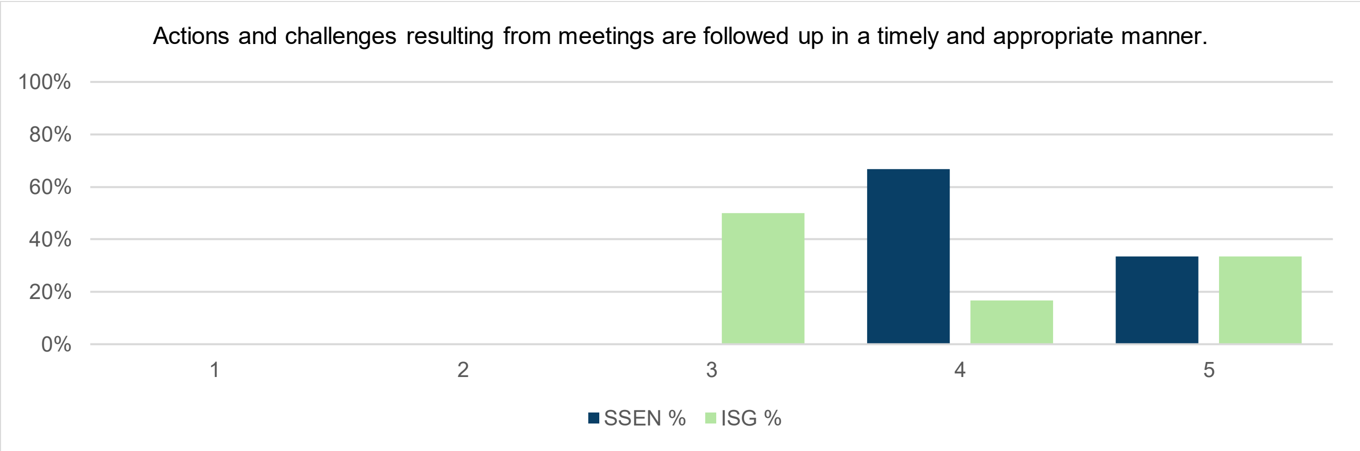
- **Follow-up to actions and challenges**. There was another difference in views here between ISG and SSEND responses, with some Group members concerned that the response to some actions and challenges has been slow.

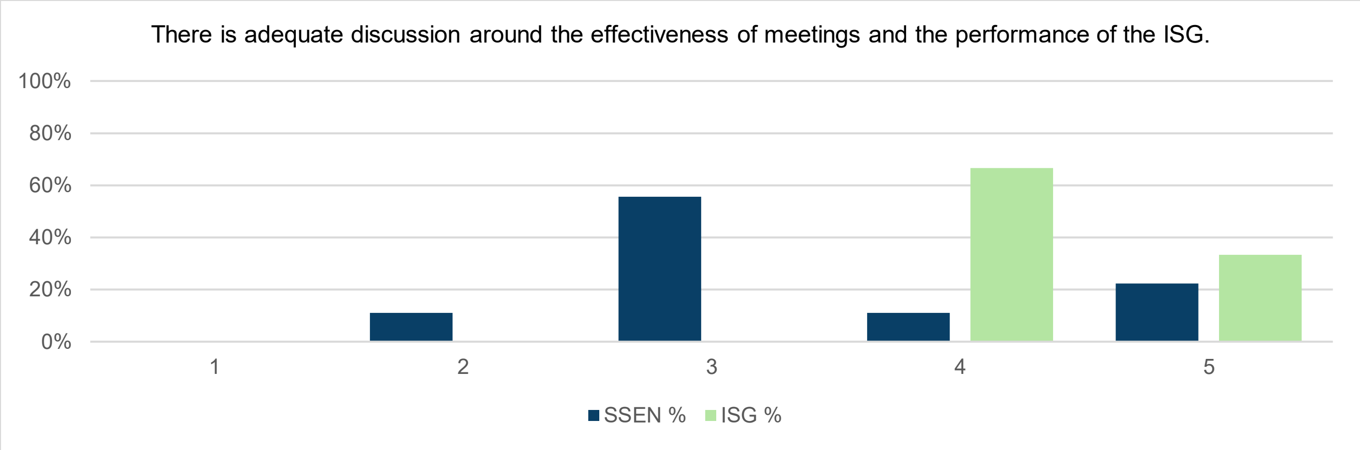
  "We need to follow up actions more speedily." (ISG Group Member)

  *"I think this varies but has improved." (*ISG Group Member)

  *'Some ISG requirements can be difficult to fulfil due to the nature of the request from the Group.' (*SSEND Staff Member)







5. **<u>ISG Views and Delivery of ISG Work Programme</u>**

This section of the report summarises the ISG 's views on SSEND's ED3 business planning at this stage of the process. It is arranged into those areas where the ISG has been broadly positive and supportive to date and those areas where the Group currently has overarching concerns.

5.1. **Overarching views – positive**

- **SSEND's engagement with the ISG**
  - **An open and collaborative culture:** The ISG welcomes the transparent and constructive approach that SSEND has taken to the ISG's work. The Group's main SSEND contacts have a collaborative and 'can do' approach. Members of the executive team, including the SSEND MD, regularly attend ISG meetings and a Non-Executive Director from the SSEND Board has also attended a session.
  - **Early engagement:** SSEND has engaged the ISG at an early stage in strategic thinking and the Chair has been able to work with the team to shape agendas.
  - **A comprehensive view of the business:** All the areas of the business covered by Ofgem's ISG guidance have been open to scrutiny and the ISG have been able to request specific sessions such as from the SSE Group on their approach to affordability.
- **Wider consumer research and stakeholder engagement**
  - **Research**: The ISG has been actively involved in shaping research design and developing the approach to research triangulation. The deliberative techniques being used by the 'Fair Future Panel' are well thought out and the insights from this will be a key tool for developing the criteria to use to assess investment trade-offs and in decision making.
  - **Engagement culture:** SSEND has had a robust engagement culture post ED2. This now needs to be adopted more widely and in an ongoing manner across the business in recognition of its business value, not just as a compliance activity.
  - **Annex 2:** This Annex provides more detail on the ISG's involvement in, and views on, the company's approach to consumer and stakeholder research and engagement. This is a key part of the ISG's remit.
- **Collaborations and partnerships**
  - **Importance**: These are essential from multiple perspectives (e.g. DSO, supply chain, vulnerability and resilience) and are key to enabling delivery. SSEND is going

in the right strategic direction here. Greater focus on the outcomes partnerships are intended to deliver is important.
    - **Collaboration:** The ISG encourages the company to go further with broader system and cross-sector collaboration.
    - **Grounded in place:** There is a real opportunity for SSEND to undertake more community led engagement and place-based planning (e.g. in terms of Low Voltage, flexibility and resilience). Working with Local Authority partners through participatory approaches is increasingly important and can help manage some of the uncertainties faced.
- **Innovation and smarter networks**
    - **Integration into business strategy:** There is a positive trajectory here, and innovation is no longer fully siloed, but more is still needed in terms of how this is embedded in BAU at scale.
    - **Focus on outcomes**: The ISG can see the benefits of data driven decision making and AI (with the appropriate customer safeguards). However, there is more to do to articulate the guardrails and link work in this area to positive customer and stakeholder outcomes.

5.2. **Overarching views – areas of concern**

- **Clarity of evidence base and articulation of decisions**
    - **Granular information and analysis:** The ISG has asked for more detailed and granular benchmarking, trend analysis, clearer segmentation, time-series patterns and comparisons across DNOs and with other relevant companies since December. Whilst this is starting to be shared in some areas, it is not always forthcoming. This level of granular information is critical given the high investment hurdle in the SSMD's build and flex model.
    - **Cost-benefit analysis:** Not all presentations include CBAs or explain the basis for judgements where CBA was not considered appropriate (the justification of 'the why'). Those CBAs that have been included do not always clearly explain how wider social and environmental impacts, including community value and circularity, have been considered.
    - **Options and trade-offs:** Whilst recognising the stage in the business planning process, the ISG has not yet seen options appraisals for key decisions, including alternative pathways and their relative efficiency, or clear explanations as to how trade-offs between different priorities are being addressed. The ISG have had the opportunity to discuss the thought behind the options paper; including the objectives of the papers; key strategic trade-offs being considered; and the expected roadmap for its delivery. The options paper, whilst potentially a useful tool, is very high level; the ISG would like to see the threads that link this to actual plans and a broader exploration of the key trade-offs where SSEND has material discretion. The Group posed a challenge to consider the trade-offs within and between workstreams, and how this more bottom-up view joins up with the macro view from the options paper. The Group has also highlighted that there should be a greater focus on consumer and stakeholder outcomes associated with the different options.
    - **Interdependencies:** The ISG has asked for further clarity in terms of the interdependencies between different elements of the plan; some issues are still presented in a siloed manner. A much clearer golden thread is needed between different workstreams (e.g. between AI/data/vulnerability/ sustainability).

- **Affordability and fairness**
    - **Importance:** This is the single specific most prominent area of ISG concern. Whilst what is affordable may ultimately be a political decision, SSEND does need to rank its proposals in order of priority and make recommendations as to what it considers to be an affordable package which is value for money for its customers and stakeholders.
    - **Bill impacts**: SSEND needs to do more to articulate the short vs the long-term bill impacts of its proposals. Presentations have yet to show the bottom-up view of costs and the relationship between spend and bill impacts of different investments. The ISG recognises that this is a politically sensitive area but considers that transparency is important for trust and confidence.
    - **Intergenerational equity:** Being clear about the impacts of delaying investment between ED3 and ED4/5 is important to build consumer and stakeholder understanding and enable meaningful engagement on difficult questions around intergenerational fairness.
    - **Distributional fairness between groups and regions**: More granular information is needed (on the costs of investments in the Islands, for example) to enable the ISG to come to a view on the investment package.
- **Vulnerability and inclusivity**
    - **Fuel poverty:** More focus is needed in terms of fuel poverty research and how the insights from this are incorporated into the Vulnerability Strategy. This strategy needs to more clearly articulate what SSEND's role is in terms of the structural contributors to fuel poverty and how the company will address the breadth vs the depth of support needed in this area.
    - **Digital exclusion:** Proposals shared to date continue to have gaps in this area.
    - **The LCT transition**: Gaps have also been highlighted in terms of SSEND's support for customers in vulnerable circumstances during the LCT transition.
    - **Outcomes:** Greater assurance is needed as to how SSEND will monitor performance in this area and ensure that the proposed activities will translate into positive outcomes for customers.
- **Reliability and connections**
    - **Ongoing concerns:** The ISG has ongoing concerns around reliability (the IIS performance not improving sufficiently) and connections performance disparities (between Scotland and the South). These are critical operational credibility issues.
    - **Evidence base**: The Group have requested more benchmarking data, root cause analysis, and a clearer tracking of commitments. It has suggested that greater visibility of interruptions at a local level could better identify problems.
- **Delivery risk**
    - **Deferred investment**: The ISG would like to see more evidence of the impact of deferred investment on the build-up of future delivery risks.
    - **ED3 step change:** The investment programme under consideration is a significant step change from ED2. SSEND's ability to deliver such a large programme needs to be more clearly evidenced and an accessible explanation is needed of what is deliverable and what is not. This is about real-world feasibility, not just strategy.
    - **Supply chain and workforce readiness:** The ISG has concerns in this area, particularly in the context of more of the plan being put into uncertainty mechanisms due to the SSMD/Ofgem decision making.

6. <u>ISG Forward Plan and Next Steps</u>

6.1. Consideration of the business plan in its entirety

Over the next six months the ISG will be focused on the open issues flagged in the previous section how SSEND's ED3 business plan comes together and how trade-offs are dealt with within this.

6.2. Stakeholder engagement and assurance process

The ISG will continue to review SSEND's customer engagement activity, in particular: the final versions of the triangulated consumer research report; the remaining phases of the 'Fair Future Panel' deliberative engagement; and the nondomestic business customer research. In addition, the Group will work with the SSEND team to consider whether it would be appropriate to carry out willingness to pay/acceptability research on the final business plan proposals.

The ISG will also scrutinise the stakeholder engagement assurance report that has been commissioned.