

# **Review of Modification Proposal 0294**

**“Changes to UNC Modification  
Panel Constitution”**

12 April 2011

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## What issue are we trying to address (1)?

Current arrangements rely on simple “first past the post” voting (one vote per licensed Group) to appoint Shipper Users.

- Could lead to appointment of a Panel which is not properly able to represent all Users
- Particular risk identified in respect of “mainly domestic” and “mainly I&C” shippers
  - Number of I&C licenses/players far outweighs domestic licenses/players

A Panel which might not adequately represent views of both I&C and domestic would not be appropriate

## What issue are we trying to address (2)?

Governance of Shipper appointment process by Gas Forum possibly doesn't represent best practice

- Gas Forum states that changes to appointment rules can be proposed by anyone, but;
  - Deciding body is Gas Forum Executive comprised of only paying GF members
  - Potential for Gas Forum Executive to be weighted e.g. towards I&C or domestic

## Solution currently outlined by 0294

Current proposal is for an “I&C” and a “Domestic” constituency, 3 reps in each (6 total).

- Each vote would be weighted with 5 “points”

Transporters retain 5 members with votes weighted with 6 “points”

Appointment process Codified, administered by Joint Office

Concerns expressed include:

- How are parties’ constituencies identified?
- What about other constituencies e.g. Traders?
- Won’t vote weighting be complicated?

## Vote weighting concept post CGR

Vote weighting worked pre CGR, when votes were simple majority in favour, but;

- Cannot be guaranteed to work fairly post CGR now votes can be cast for or against
- E.g.      1 shipper in favour      =      5 points for  
              1 transporter against      =      6 points against

Voting weighted towards “against” even though only 1 vote cast each way.

We believe this could be balanced mathematically, but would be overly complex.

## Revised proposal

Retain five Shipper User representatives

No vote weighting

Panel must comprise minimum of two I&C and minimum of two domestic

Constituency to be self-declared and subject to appeal to UNCC:

- Wholly/mainly I&C
- Wholly/mainly domestic
- No identifiable supply interests

## How will nomination be appointed?

Nominations will be stacked, most votes at top, fewest at bottom

Where top five nominations include at least two I&C and two domestic, these top five will be appointed.

Where top five does not include at least 2 + 2:

- lowest scoring nomination(s) from the over represented constituency will be discounted and highest scoring nominations from under-representative constituency(ies) will be included to the extent possible

## Example 1

### Top 5 polling shippers are:

GDF(I&C) = 10

EDF (D) = 9

Shell (I&C) = 8

E.on (D) = 7

Statoil (I&C) = 6

All returned as Panel members as include at least 2 I&C and 2 domestic.



## Example 2

### Top 5 polling shippers are:

GDF(I&C) = 10

EDF (D) = 9

Shell (I&C) = 8

Corona (I&C) = 7

Statoil (I&C) = 6

Criteria not met – stack includes only one domestic.

Lowest scoring I&C discounted, and next highest scoring domestic gets appointed.

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## Example 3

### Top 5 polling shippers are:

S' Power (D)	=	10
EDF (D)	=	9
E.on (D)	=	8
RWE npower (D)	=	7
SSE (D)	=	6

Criteria not met – stack includes no I&C.

Lowest 2 scoring domestics discounted, and two highest scoring I&C get appointed.

## Example 4

**Top 5 polling shippers are (NSI = no supply interests identified):**

Trader 1 (NSI)	=	10
Trader 2 (NSI)	=	9
Trader 3 (NSI)	=	8
Trader 4 (NSI)	=	7
Trader 5 (NSI)	=	6

Criteria not met – stack includes no I&C or domestic.

Lowest 4 scoring NSIs discounted. Two highest scoring I&C and two highest scoring domestics get appointed.

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## Codifying appointment process

Still believe it is appropriate to seek to Codify Shipper User appointment process and make Joint Office responsible for administration

- Better aligns with CGR objectives:
  - Promotes accessibility and transparency
  - Ease of access to small players/new entrants

## Next steps

Update Proposal and Related Document following feedback

Present to May Panel for consultation (Text required, back to June Panel)