

Gas Industry participants

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* Calls will be recorded
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Dear Colleagues,

Consultation on the governance arrangements regarding appointment of an independent UNC Panel Chair

I am writing on behalf of the gas transporters' Joint Governance Arrangements Committee (JGAC) to seek your views on the governance arrangements regarding the appointment of an independent Chair of the UNC Modification Panel (Panel).

As you may be aware, Ofgem recently approved¹ the appointment of Les Jenkins as interim Chair of the Panel for up to twelve months from December 2013. Les' nomination to the Independent Chair position was made by the gas transporters following his appointment from National Grid as Tim Davis' replacement as Chief Executive of the Joint Office of Gas Transporters (JO), having taken the view that this met their Licence obligations to act economically and efficiently, and for independence of the Chair (as set out by Ofgem following its' Code Governance Review (CGR) in 2010²). Your view on the independence provided for by having the JO Chief Executive occupying both roles is specifically sought.

In approving Les' interim appointment Ofgem noted that, whilst the CGR did not prescribe the selection process, Licensees should pay particular regard to ensuring that they have discharged the requirement that the Chair be independent³. Ofgem also noted that, when introducing the requirement for an independent panel Chair under the CGR, they considered that such independence would be in the best interests of consumers and the industry, as the independent Chair would provide scrutiny over Panel actions and independent oversight of the Code Administrator.

In respect of the Panel Chair, we would now like to invite your views on the role and the process that should be followed in ensuring that Gas Transporter Licensees fulfil their licence requirement to appoint an independent Chair. We would particularly appreciate your views on the following points, but please feel free to provide any comments you believe to be relevant:

¹ www.gasgovernance.co.uk/sites/default/files/UNC_Chair_letter.pdf

² www.ofgem.gov.uk/licences-codes-and-standards/codes/industry-codes-work/code-governance-review

³ See A11, 6 d. (i) of the Gas Transporter Standard Special Conditions:
www.epr.ofgem.gov.uk/Content/Documents/Standard%20Special%20Condition%20-%20PART%20A%20Consolidated%20-%20Current%20Version.pdf

- 1.) What criteria do you consider to constitute an independent Chair?
- 2.) Do you consider that the Joint Office Chief Executive, appointed from a Gas Transporter business, fulfils the Transporter's Licence obligation to appoint an independent chair, and why?
- 3.) Do you have any views on the *process* of appointing the Independent Chair in this way?
- 4.) Are there any further examples or evidence you can provide to support the points made?

We welcome views from a wide spectrum of consumers and industry participants and so this consultation will be open for four weeks. A template has been provided on the JO website for responses; please send them to enquiries@gasgovernance.co.uk by close of business on 10 February 2014.

Following this, we will produce a document summarising your responses and the proposed next steps for consideration at the next Panel meeting. This document will be published on the JO website with the relevant Panel papers and we will notify you by email when it is available.

In the meantime, thank you for your consideration of this matter.

Yours sincerely,

Steven Edwards (by email)
Chair, Joint Governance Arrangements Committee

For and on behalf of the JGAC Representatives:

Alan Raper – Manager - Regulatory Contracts, National Grid Distribution

Andrew Musgrave – Head of Network Strategy, Scotia Gas Networks

Nikki Jamieson – TNS Operations Manager, National Grid Transmission

Stephen Parker – Regulation Director, Northern Gas Networks

Steven Edwards – Head of Regulation, Wales & West Utilities