

UNC Modification Panel and Sub-Committee User Representative Appointment Process

Dear Ofgem,

UNC Shipper Panel and Sub-Committee Representatives are appointed each year under a process currently run by the Gas Forum (as the “Designated Person” under the UNC Modification Rules). Given that the Gas Forum is due to be wound-up by the end of Quarter 1 2016, a new Designated Person is required to manage and maintain the UNC shipper representatives appointment process.

In order to ensure there is sufficient time to hand over the election process and for a new body to have time to put the appropriate procedures in place, a new Designated Person should be appointed ideally before the Gas Forum is wound-up and certainly no later than 1 June 2016, which is when the appointment process would normally begin.

Background

UNC Panel members are appointed on an annual basis. Currently, 5 Transporters and 5 Shipper representativesⁱ sit on the UNC Panel. As specified in the UNC Modification Rules (Section 3.4) Shipper nominations and elections are managed by the “Designated Person”, which is the trade association, the Gas Forum. The appointment process is open to any UK Shipper, regardless of whether or not they are a Gas Forum member. In addition to the UNC Modification Panel, the Designated Person also appoints Shipper representatives for the following UNC sub-committees:

- Energy Balancing Credit Committee (EBCC)
- Demand Estimation Sub-Committee (DESC)
- UK Link Committee
- RbD Audit

For any of the committees, should nominations exceed the number of vacant positions, the Designated Person initiates and conducts an election process. In addition, the Designated Person is responsible for the appointment of an “Independent Supplier representative” and may also be required to run ad-hoc elections or appointment processes at any time throughout the year, if for example, a committee member resigns.

As the Gas Forum is in the process of winding-up, another body needs to be appointed as the Designated Person to undertake the Shipper appointment process in 2016 and beyond. This change may require Ofgem approval and/or a change to the UNC Modification rulesⁱⁱ.

Options for Change

The UNC User Representative Appointment process is an administration activity with no specific IT systems required. The Gas Forum has refined and documented the appointment process over a number of years and also publishes a user guide for Shippers. It is understood that the cost of

running this process is likely to be minimal given the small workload and would require no more than five days' work for one FTE per annum, although this may vary slightly, depending on the number of Shipper enquiries and and/or the need to run further elections (e.g. in the event of a tie or member resignation).

The following entities have been identified as possible future owners of the Shipper representative appointment process:

Trade Associations could be considered well placed to undertake this activity on behalf of Shippers. The main concern will be that Trade Associations represent sub-sets of, rather than all, Shippers. Therefore it may be difficult for the industry to reach consensus as to which Trade Association should be selected. In addition, it is unclear if (and on what basis) an individual trade association would be looking to (or even able) to recover from Shippers the costs of administering the appointment process.

Xoserve are the Transporter's Agency and they provide central services to the industry. Whilst Xoserve have a relationship with all shipper parties and they could undertake the appointment activities, they do not have any connection to the code governance arrangements and given the workload and competing priorities that Xoserve are dealing with at the moment (UK Link Replacement, FGO, etc.) this may be an unwelcome distraction for them at a time when Shipper parties are likely to want them to focus on core activity for these important changes.

The Joint Office (UNC Code Administrator) is well placed to undertake this activity on behalf of shippers. Under many other energy codes, the relevant Code Administrator undertakes the nomination and potential election processes (e.g. BSC, DCUSA, SPAA, etc.). The Transporters who own the Joint Office are already funded to administer network code administration. Although it is expected that Transporters will state they are not funded to undertake any additional work, it could be argued that as the Code Administrator, they should be appropriately funded to manage the full code administration activities for all code signatories.

Gemserv (amongst other services), undertake Code Administration activities for a number of other energy codes. Gemserv is the service provider/secretariat for the Gas Forum and therefore they are familiar with UNC Panel Nomination process, having administered it for a number of years. However, Gemserv do not have a direct relationship with shippers (or the UNC) and therefore there may be issues with recovering the costs of running the appointment process (e.g. should all Shippers, regardless of their participation in the process be invoiced?). It is also unclear if, and on what basis, Gemserv would be willing to undertake this role going forward.

Summary Table

Organisation	Pros	Cons
Trade Associations	Represent shippers	Do not represent <u>all</u> shippers. It is unclear how the arrangements would be funded.

		What obligation would require non-members to pay for the service?
Xoserve (Transporter Agency)	Existing shipper relationship	They aren't party to the governance arrangements for the UNC and aren't funded for it
Code Administrators (Joint Office)	<ul style="list-style-type: none"> The JO is the code administrator for the UNC. The JO manages other admin activity for code signatories. Fits with Transporter Licence – Transporters are funded for network code management under their price control, which includes the provision of the code administrator. Other code administrators manage this type of activity on behalf of all signatories to their codes. 	Transporters may resist funding additional activities
Gemserv	Understand the process, as current administrator	Cost recovery unclear. Appetite to take on this role in future is unclear.

Recommendation

It is requested that Ofgem reviews the role of the Designated Person as a matter of priority and provides a direction on their preferred organisation to undertake this essential activity. There are important changes occurring during 2016, for example the introduction of new committees for Performance Assurance following approval of Modification 0506V, as well as Modification Panel changes with the inclusion of iGTs as Panel Members. It is important that an appropriate organisation is appointed as the Designated Person as soon as possible and ideally no later than 1st April 2016 so that there is no vacuum in service provider, which could seriously affect shippers' participation in the governance of the network code.

Current UNC Shipper Panel representatives recommend that of all the available options, the Joint Office as Code Administrator is best placed to co-ordinate the Shipper representative appointment process. We do not expect the burden of running the process to be significant given the relatively small workload, although we recognise that it may have a minor impact on other Code

administration activities leading up and during the appointment process. Appointment of the Joint Office into this role would also be consistent with arrangements across other energy Codes.

UNC Modification Panel Shipper Representatives

February 3, 2016

ⁱ Please note UNC0440, or post Project Nexus implementation, Panel will increase to 6 Transporter and 6 Shipper Reps.

ⁱⁱ Modification rules Section 2.1 Defined Terms

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