

## Consultation on the Appointment Process for an Independent Panel Chair

### 1. Background

In November 2013 Ofgem approved the appointment of the Joint Office Of Gas Transporters' (JO) new Chief Executive, Les Jenkins to the role of the UNC Modification Panel Chair. This was on an interim basis, for a period of not longer than twelve months, to allow time for a review of the arrangements for the Panel Chair appointment taking into account the outcome of Ofgem's Code Governance Review in 2010.

Subsequently the JO, on behalf of the transporters, held an open consultation<sup>1</sup>, which sought views from interested parties on the governance arrangements relating to the appointment of the Panel Chair.

Consultation responses identified several key points:

1. The Chair should act impartially and demonstrate objectivity, allowing equal voice for all Panel members.
2. It would be beneficial if the Chair had industry experience.
3. The Chair should be truly independent of any party with a vested interest in the UNC.
4. There should be a formal, rigorous and transparent appointment process.
5. Account should be taken of succession planning and delegation (in the event that the Chair is unavailable).
6. A fixed term appointment would be appropriate, with an option to reappoint.
7. Panel endorsement of the preferred candidate was preferable.
8. Other energy industry codes had established independent Chairs, therefore learning points from these should be considered.
9. Industry consultation on the appointment process would be appropriate, to include such things as eligibility criteria and the selection process and criteria.

Subsequent to this consultation, learning points from the appointment processes for the Independent Chairs for the 'Connection and Use of System Code' and the 'Smart Energy Code' were reviewed in developing the proposed process outlined in this document.

On behalf of the Transporters, the Joint Governance Arrangements Committee (JGAC), who oversee the JO (the UNC 'Code Administrator'), welcome your views on the proposed appointment process for an Independent Chair of the UNC Panel. Please see section 9 for how to respond. This consultation will remain open for two weeks.

#### Important Note:

The UNC Modification Panel Chair also acts as the UNC Committee (UNCC) Chair. All references in this document to 'Panel Chair' should be interpreted as referring to both the Modification Panel and the UNCC.

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<sup>1</sup> [Independent Panel Chair](#)

## **2. Appointment Process**

The JGAC considered the mechanics of how the appointment process for an independent Panel Chair would work and identified a number of aspects, including: (i) the use of a Selection Adviser (commonly referred to as a "headhunter"); (ii) the creation of a Panel Subcommittee to assist the Panel in its recommendation to the Authority; (iii) the Candidate Attributes and Role Description for the Panel Chair; (iv) the appointment timeline and; (v) the indicative costs. Each of these is discussed below, together with the questions the JGAC would like your views on.

## **3. Selection Adviser**

The JGAC considered that a Selection Adviser would be an efficient use of relevant expertise and be more time-efficient than an open advertisement and should therefore be used for drawing up a list of candidates. Advisers would charge a fee for finding suitable candidates and that this fee, although negotiable, could be in the order of one year's fee that the Panel Chair would receive.

The Selection Adviser would be required to use the Candidate Attributes (section 5) and the UNC Panel Chair Role Description dated February 2014, as described in Section 6, and published alongside this consultation, to draw up their list of potential candidates.

The JGAC noted that the use of a Special Adviser, with an associated fee, at the end of each appointment term would be expensive and potentially viewed as inefficient. They considered that it might be more efficient if a normal appointment might be expected to last two terms (i.e. 4 years in total), subject to a consultation at the end of the first term.

### **Consultation Questions:**

Q1: Do you consider that a Selection Adviser should be used to identify the candidates to be the Panel Chair?

Q2: Do you have any views on what should be considered as a normal tenure of the Panel Chair?

#### **4. Panel Subcommittee**

The JGAC considered that it would be more effective and efficient to form a Panel Subcommittee to oversee the appointment process and to help Panel in making a recommendation to Ofgem. The following members were proposed:

- Joint Office – one representative (Chief Executive)
- Users – one representative
- Transporters – one representative
- Human Resources expertise – one representative (National Grid, as resource provider)
- Legal – one representative (National Grid)

The Panel Subcommittee would undertake the following activities:

- Agree the Terms of Reference for the Selection Adviser.
- Agree the timeline for the appointment process.
- Meet with prospective Selection Advisers to review their capabilities and selection processes (e.g. sources of candidates – private sector, academia etc – and attraction methods).
- Consider the suitability and experience of Selection Advisers and make a recommendation to the JO (as appointing body).
- Consider the long-list and agree a short-list of Panel Chair candidates for interview.
- Conduct structured interviews (noting that the National Grid specialists will be excluded from the interview panel).
- Select a preferred candidate.
- Coordinate with, and report to, Panel the progress of the appointment process and make a recommendation of the preferred candidate.

#### **Consultation Questions:**

Q3: Do you consider that a Panel Subcommittee should be formed to oversee the appointment of the Panel Chair?

Q4: Do you have any views on the make-up of the Panel Subcommittee?

## 5. Candidate Attributes

The JGAC considered the potential attributes for an independent Panel Chair candidate and set out its views of the relative merits of each attribute below.

| Attribute  | Pros   | Cons   |
|--|--|--|
| <b>Retired</b>   | Greater availability and flexibility to attend meetings, including "urgent" meetings, at short notice, read papers, attend briefings with the Code Administrator etc.                            | May be "out of the loop" in terms of current knowledge on industry or commercial matters.  |
| <b>Currently Employed</b>                              | Greater awareness of current issues and commercial practice.   | Less availability and flexibility to attend meetings at short notice. Potential for conflict of interest, depending on current employment.   |
| <b>Seniority</b>                                       | Brings wider knowledge and experience to the position. Adds gravitas to the position.  | The more senior the candidate, whether employed or retired, the more their availability and flexibility is likely to be restricted, due to existing diary commitments.<br>Fee charged likely to be higher the more senior the candidate. |
| <b>Public Sector</b>                                   | Independent of market participants.  | More likely to lack relevant technical and/or commercial experience of issues which matter to the industry.  |
| <b>Private Sector</b>                                  | More likely to have relevant technical and/or commercial experience of issues which matter to the industry.  | Potential for conflict of interest, depending on current or previous employment.   |
| <b>Academic</b>  | Independent of market participants. Likely to have relevant technical expertise.   | May lack practical application of specialist theory. Potential for conflict of interest, depending on funding they / their employer receives from external bodies (such as energy companies) for research etc.                           |
| <b>Based in UK</b>                                     | Better availability for meetings. Lower travel expenses. Potentially greater relevant UK experience.   | May lack a wider non-UK perspective, which will become increasingly relevant with European Third Package.  |
| <b>Based overseas</b>                                  | Potentially brings a wider understanding of how similar matters are dealt with overseas (e.g. European network codes).   | Potential lack of experience and knowledge of UK market and commercial operations. Higher travel expenses. Less flexibility and availability.  |
| <b>Has relevant technical or commercial experience</b> | Greater understanding of issues raised and discussed, enabling better facilitation of the meeting. Able to recall experience of previous events or changes that are relevant to matters at hand. | May become overly involved in debate at meeting and step outside the role of chairing the meeting. Not constrained by previous events and decisions.   |

### Consultation Questions:

Q5: What are your views on the ideal candidate attributes? A table is provided in the response template for you to indicate your preferences for each of the attributes.

## 6. Role Description

The JGAC considered that a formal appointment of a Panel Chair should be effective on 1 December 2014 so that he/she can shadow the outgoing chair at the Panel meeting on Thursday 18 December 2014 and assume the full Chair role in January 2015. After considering views expressed in the earlier consultation, the JGAC identified the following general terms for the Panel Chair, and the responsibilities and experience required are also provided below. The full role description is published alongside this consultation document.

- **Initial term:** two years, subject to possible renewal for a further term, following industry consultation and recommendation to the Panel and Ofgem. It is anticipated that the successful candidate would be appointed on some form of 'specialist contractor' terms by one of the Transporters on behalf of the JO, although it should be noted that any proposed appointment to the Chair must be approved by Ofgem.
- **Estimated time commitment:** approximately 2 - 2½ days per month, comprising 1 day's attendance at Panel meetings and 1½ days to read the Panel papers, liaise with the Code Administrator and review/approve the minutes. In addition to this, the Chairman will need to be available to deal with urgent/short notice and/or non-standard modifications and ad-hoc meetings. Based on recent experience, this could amount to an additional 5 days per annum, but could be more, depending on the quantum and nature of modifications and other business.
- **Meeting dates:** Panel meetings are normally held on the third Thursday of every month. They normally begin at 10.30 am and last approximately 3 - 4 hours.
- **Venue:** Panel meetings are held in London, normally at the Energy Networks Association. Urgent meetings may be face-to-face or by teleconference.
- **Deputy Chair:** In the event of absence or unavailability of the Panel Chair, the responsibilities assigned to him/her will automatically pass to the Deputy Chair. The JO Chief Executive will assume the enduring role of Deputy Chair.

## KEY RESPONSIBILITIES

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The Chair is responsible for leading the Panel. As such, he/she will play a pivotal role in creating the right conditions for overall Panel and individual effectiveness. Supported by the Code Administrator (JO), the Chair will be responsible for:

- developing sufficient knowledge and understanding of UNC provisions and processes to undertake the role of Panel Chair
- agreeing meeting agendas with the JO
- chairing monthly and additional ad hoc meetings of Panel
- ensuring the right level of formality at Panel meetings
- encouraging active engagement by all Panel members
- ensuring that Panel meeting minutes are accurate
- monitoring performance of the JO in supporting and facilitating Panel
- ad hoc liaison with OFGEM and the JO

## KEY CHARACTERISTICS AND EXPERIENCE

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- The Chair must exhibit qualities of objectivity, impartiality and fairness. It is essential that he/she should be demonstrably independent. Accordingly, he/she should not have been

employed by, and/or be sufficiently independent of, a Transporter, Ofgem, or any other gas industry party with a material interest in the UNC.

- Strong chairmanship skills and experience are a key requirement for this role. A strong track record of chairing decision making committees and creating consensus through balanced discussion between multiple and diverse stakeholders is vital.
- Experience of working with - or in - the energy industry or another regulated industry would be an advantage, but the ability to quickly “get to the nub of the issue”, without being clouded by preconceived ideas is more important.
- Strength of character and gravitas to provide exceptional leadership and discipline amongst Panel members.
- A clear outlook, consistently sound judgment, and a proven track record of handling difficult issues with authority and confidence.
- A fluent communicator.

**Consultation Questions:**

Q5: Do you consider that the general terms proposed for the Panel Chair appointment are appropriate?

Q6: Do you agree that the enduring Deputy Chair role should be assigned to the JO Chief Executive?

Q7: Do you have any views on the Responsibilities and Experience requirements for a Panel Chair?

## 7. Appointment Timeline

The JGAC considered what an appropriate timeline might look like, based on the process outlined in this Consultation, to achieve a Panel Chair appointment by December 2014, in line with Ofgem's approval of the interim Chair.

| Action  | Responsibility     | When          |
|---|--------------------|---------------|
| Industry Consultation on proposed appointment process | JGAC/JO            | March         |
| Appointment Process Finalised                         | JGAC               | April         |
| Panel Subcommittee – User member Appointed            | Panel              | April         |
| Selection Agency appointed                            | Panel Subcommittee | May           |
| Identify and long-list candidates                     | Selection Agency   | June - July   |
| Shortlist candidates and Interview                    | Panel Subcommittee | July - August |
| Selection and conditional offer                       | Panel Subcommittee | September     |
| Panel to ratify appointment                           | Panel              | September     |
| Ofgem Approval of Candidate                           | Ofgem              | October       |
| Contract placed                                       | JO                 | November      |
| Panel Chair in place – first meeting                  | JO                 | December      |

### Consultation Questions:

Q8: Do you have any views on the indicative timeline?

## 8. Indicative Costs

In proposing this appointment process, the JGAC was cognisant of the Transporters' Licence Condition to act in an economic and efficient manner. To assist the industry in providing views on the additional costs associated with an Independent Panel Chair, indicative costs have been provided, based upon experience in other Codes.

A Selection Agent is likely to charge in the region of £30-40k as one-off fees. The Independent Chair is likely to cost a similar amount per annum in fees and expenses.

So, for an 8-years price control period this could cost (2014 prices):

| Tenure | Range | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | Total |
|--------|-------|----|----|----|----|----|----|----|----|-------|
| 2yrs   | Low   | 43 | 30 | 60 | 30 | 60 | 30 | 60 | 30 | 343   |
|        | High  | 53 | 40 | 70 | 40 | 70 | 40 | 70 | 40 | 423   |
| 4yrs*  | Low   | 43 | 30 | 30 | 30 | 60 | 30 | 30 | 30 | 283   |
|        | High  | 53 | 40 | 40 | 40 | 70 | 40 | 40 | 40 | 363   |

*\*with mid-term consultation to verify continuing suitability of the Panel Chair*

### Consultation Questions:

Q9: In light of the indicative costs provided, are you still of the opinion that it is correct to have an Independent Panel Chair?

## 9. Views Invited

The JGAC welcomes industry views on the matters set out in this consultation paper, by email to [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk) by 5pm on Friday 21 March 2014. For ease of completion, the questions are reproduced on a template available from:

<http://www.gasgovernance.co.uk/ApptProcess>

In addition to the questions posed in this consultation document, the JGAC welcomes any further views on the appointment process for the Independent Panel Chair.

### Consultation Questions:

Q10: Do you have any additional views you wish the JGAC to consider?

**Please note that, unless you mark your response as confidential, it will be published on the JO website.**

## 10. Next Steps

The JGAC will review responses to this Consultation and determine the final appointment process. Panel members will be kept informed of progress.