














UNC Draft Modification Report		At what stage is this document in the process?
<h1>UNC 0656:</h1> <h2>Changes to Modification Panel arrangements</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<b>Purpose of Modification:</b> <p>The purpose of the Modification is to make a number of changes to the panel arrangements. Firstly, concerning Panel Members and how they represent a constituency, arrangements in relation to Alternates, duration of tenure and attendance at meetings.</p>		
	<p>This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this modification.</p> <p>The close-out date for responses is <b>11 October 2018</b>, which should be sent to <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>. A response template, which you may wish to use, is at <a href="http://www.gasgovernance.co.uk/0656">www.gasgovernance.co.uk/0656</a>.</p> <p>The Panel will consider the responses and agree whether or not this modification should be made.</p>	
	<p>High Impact:</p> <p>NA</p>	
	<p>Medium Impact:</p> <p>All Code Parties</p>	
	<p>Low Impact:</p> <p>NA</p>	

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Timetable		 0121 288 2107
<b>Modification timetable:</b>		Contact: <b>Joint Office of Gas Transporters</b>
Initial consideration by Workgroup	04 June 2018	 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
Amended Modification considered by Workgroup	11 September 2018	 0121 288 2107
Workgroup Report presented to Panel	20 September 2018	Proposer: <b>Steve Mulinganie</b> <b>Gazprom</b>
Draft Modification Report issued for consultation	20 September 2018	 <a href="mailto:steve.mulinganie@gazprom-energy.com">steve.mulinganie@gazprom-energy.com</a>
Consultation Close-out for representations	11 October 2018	 0751 799 8178
Final Modification Report available for Panel	15 October 2018	Transporter: <b>Cadent</b>
Modification Panel decision	18 October 2018 (at short notice)	 <a href="mailto:Chris.Warner@cadentgas.com">Chris.Warner@cadentgas.com</a>
		 01926 653541
		Systems Provider: <b>Xoserve</b>
		 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>

## 1 Summary

The purpose of the Modification is to make a number of changes to the panel arrangements. These relate to Voting Panel Members and how they represent a constituency, arrangements in relation to Alternates, duration of tenure and attendance at meetings

### **Conflicting Appointment**

Firstly, the purpose of the proposal is to put in place arrangements to avoid a conflict of interest arising in relation to Panel Members. The Proposal seeks to ensure that a Panel Member representing a particular constituency cannot, whilst acting as a Panel Member for that constituency, be employed by, work for or otherwise act for a party who are part of another constituency e.g. a Transporter Panel representative cannot be employed by, work for or otherwise act for a Shipper and vice versa.

### **Alternate arrangements**

Secondly, this Modification also proposes that a Panel Member may appoint an Alternate for meeting attendance and that any such appointed Alternate will have the same powers as the Panel Member which for the avoidance of doubt includes the right to appoint another Alternate.

## **What**

### **Conflict of Interest**

Historically voting Panel Members have been nominated to represent a specific constituency which has been related to their employment by a consistency company/organisation e.g.

Transporters directly nominate Transporter Members (AiGT nominate a Member);

Shippers nominate into a Shipper elections process;

Citizens Advice nominate a domestic Consumer Representative;

Ofgem nominate an I&C Consumer Representative.

In the event of a change in Members arrangements they have resigned from their position as a Panel Member and either a new nominee takes over the role of Panel Member or a new election is undertaken to put in place a suitable candidate.

### **Alternate arrangements**

A Panel Member should always try and attend meetings in person but where this is not possible they may appoint an Alternate representative, and any Alternate should have the same powers as the Member, including the right to appoint another alternate should this be required.

## **Why**

### **Conflict of Interest**

Historically Panel Members have been nominated by the companies they work for to represent the relevant constituency and in the event of a material change in circumstances e.g. change in employment the assumption is they would resign from their position as a Panel Member.

### **Conflict of Interest (continued)**

The current rules, therefore, do not adequately address a potential risk of conflict if a Panel Member is representing a particular constituency but may be employed by, work for or otherwise act for a party who are part of another constituency on a day to day or adhoc basis.

### **Alternate arrangements**

Currently a Panel Member may delegate authority to an Alternate, however that Alternate does not currently have the powers to appoint another Alternate should this be required, for example in the case of unforeseen circumstances such as sickness.

## **How**

### **Conflict of Interest**

The Proposal seeks to clarify that a Panel Member representing a particular constituency cannot, whilst acting as a Panel representative for a particular constituency, be employed by, work for or otherwise act for a party who are part of another constituency.

Example: A Transporter Panel Member cannot be employed by, work for or otherwise act for a Shipper etc.

In the event of such a conflict being identified the relevant Panel Member shall forthwith cease to be a relevant Panel Member and either the nominated Alternate, so long as they are not conflicted, will be appointed the relevant Panel Member or else an Urgent Election will be undertaken to replace the relevant Panel Member.

### **Conflict of Interest Business Rules**

1. As part of the Election process all nominee's must warrant that in seeking to become the Panel Member for a relevant constituency they are not and will not whilst acting as a Panel Member be employed by, work for or otherwise act for a party who are part of another constituency
2. Panel Members will be required to notify the Chair via the Code Administrator of any changes in their arrangements forthwith and if so conflicted will forthwith cease to be a relevant Panel Member and either the nominated Alternate, so long as they are not conflicted, will be appointed the relevant Panel Member or else an Urgent Election will be undertaken to replace the relevant Panel Member

Any potential conflicts of interest may be raised with the Panel Chair via the Joint Office of Gas Transporters. The Panel Chair will investigate any claim and determine if in their reasonable opinion a conflict of interest exists. For the avoidance of doubt the Panel Chair may utilise a suitably skilled independent third party to undertake the investigation. If a conflict is identified the Panel Member will forthwith cease to be a relevant Panel Member and either the nominated Alternate, so long as they are not conflicted, will be appointed the relevant Panel Member or else an Urgent Election will be undertaken to replace the relevant Panel Member.

### **Alternate arrangements**

Further to the above, a Panel Member may delegate authority to an Alternate and that Alternate should have the powers to appoint another Alternate should this be required, for example in the case of unforeseen circumstances such as sickness.

### **Alternates Business Rules**

1. A Panel Member may delegate by appointing an Alternate, and any Alternate will have the same powers as a Panel Member including the right to appoint another Alternate.

## 2 Governance

### Justification for Self-Governance, Authority Direction or Urgency

The Modification determined that this modification is a material change to the Modification Rules concerning Panel Membership and the use of Alternates, Panel Chair, the Code Administrator and Membership nominations and therefore requires Authority Direction.

### Requested Next Steps

This Modification should:

- be considered a material change and not subject to self-governance
- proceed to consultation.

## 3 Why Change?

### Conflict of Interest

Historically Panel Members have been nominated by the companies they work for to represent the relevant constituency and in the event of a material change in circumstances e.g. change in employment the assumption is they would resign from their position as a Panel Member.

The current rules, therefore, do not adequately address a potential risk of conflict if a Panel Member is representing a particular constituency but may be employed by, work for or otherwise act for a party who are part of another constituency on a day to day or adhoc basis.

### Alternate arrangements

Currently a Panel Member may delegate authority to an Alternate, however that alternate does not currently have the powers to appoint another Alternate should this be required, for example in the case of unforeseen circumstances such as sickness.

## 4 Code Specific Matters

### Reference Documents

UNC General Modification Rules.

Joint Office UNC Election Process.

### Knowledge/Skills

None specific.

## 5 Solution

This Solution deals with four areas:-

For the avoidance of doubt the issues addressed in this proposal are independent and do not rely on each other.

### A. Conflicting Appointment

This Proposal seeks to clarify that a Voting Panel Member representing a particular constituency cannot, whilst acting as a Voting Panel Member for a particular constituency, be employed by, work for or otherwise act for a party who are part of another constituency.

Example: A Transporter Panel Member cannot be employed by, work for or otherwise act for a Shipper etc. In the event of such a conflict being identified the relevant Voting Panel Member shall forthwith cease to be a relevant Voting Panel Member and either the nominated alternate, so long as they are not conflicted, will be appointed the relevant Voting Panel Member or else an Urgent Election will be undertaken to replace the relevant Panel Member.

#### Conflicting Appointment Business Rules

1. As part of the Election process all nominee's must warrant that in seeking to become the Voting Panel Member for a relevant constituency they are not and will not whilst acting as a Voting Panel Member be employed by, work for or otherwise act for a party who are part of another constituency;
2. In the event that a Voting Panel Member is not a signatory to the warrant then they must be party to the warrant before attending their first Panel Meeting as a Voting Panel Member;
3. Voting Panel Members will be required to notify the Panel Chair via the Code Administrator of any changes in their arrangements forthwith and if so conflicted will forthwith cease to be a relevant Voting Panel Member and either the nominated Alternate, so long as they are not conflicted, will be appointed the relevant Voting Panel Member or else an Urgent Election will be undertaken to replace the relevant Panel Member;
4. Any potential conflicts of interest may be raised with the Panel Chair via the Code Administrator. The Panel Chair will investigate any claim and determine if in their reasonable opinion a conflict of interest exists. For the avoidance of doubt the Panel Chair may utilise a suitably skilled independent third party which may include the Code Administrator to undertake the investigation. If a conflict is identified the Voting Panel Member will forthwith cease to be a relevant Voting Panel Member and either the nominated Alternate, so long as they are not conflicted, will be appointed the relevant Voting Panel Member or else an Urgent Election will be undertaken to replace the relevant Voting Panel Member from which that Voting Panel Member will be excluded.

### B. Alternate arrangements

Further to the above, a Voting Panel Member will be required to nominate 2 Alternates.

#### Alternates Business Rules

1. A Voting Panel Member must nominate 2 Alternates.

### C. Voting Panel Member Attendance

An elected Voting Panel Member is reasonably expected by the constituents they represent to regularly participate in the scheduled Panel meetings. As such if the Voting Panel Member fails to participate in three (3) consecutive meetings of the UNC Modification Panel that have been duly convened the Voting Panel Member shall cease to be a Voting Panel Member and an Urgent Election will be undertaken to replace the relevant Voting Panel Member.

#### Voting Panel Member Attendance Business Rules

1. A Voting Panel Member shall cease to be a Voting Panel Member if the Member fails to participate in three (3) consecutive meetings of the UNC Modification Panel that have been duly convened.

D. Increase from 1 year to 2-year Panel tenure

The current Panel Membership is renewed every year. This proposal seeks to extend the tenure for Panel Members from one year to two years ahead of the 2019 Panel Elections.

Increase from 1 year to 2-year Panel tenure business rules

1. Elections will take place every 2 years from the 2019 Panel Elections.

## 6 Impacts & Other Considerations

**Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?**

No

### Consumer Impacts

None identified

### Cross Code Impacts

There may be an indirect impact on the AiGT selection/nomination process.

### EU Code Impacts

None identified

### Central Systems Impacts

None identified

### Workgroup Impact Assessment

The Modification was amended to reflect various issues and points of clarification raised by the Workgroup.

### Legal Text

The workgroup reviewed the draft Legal Text and was satisfied it met the intent of the Modification.

## 7 Relevant Objectives

### Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None

c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

We believe this Modification Proposal better facilitates relevant objective (f) as it puts in place appropriate assurances to avoid any risk of a conflict of interest in relation to the transparent operation of Panel, as well as clarifying the arrangements for Alternates to ensure appropriate representation at meetings and maintaining the effectiveness of Panel.

## 8 Implementation

No implementation timescales are proposed. However, this Modification could be implemented immediately following direction from the Authority.

## 9 Legal Text

### Text Commentary

Provided as a separate document.

### Text

Provided as two separate documents.

## 10 Recommendations

### Panel's Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this modification.