



17th February 2017

Consultation on the Appointment Process for an Independent UNC Panel Chair

Thank you for inviting us to consult on the appointment process for an Independent Panel Chair.

I would first like to state that I believe the appointment of the first independent Panel Chair was a success and we were very fortunate in the quality of the person appointed to the role and trust that we will be able to find someone of the same calibre to take up the mantle from Alex.

I think there are a couple of points that it is worth considering for the upcoming recruitment process and I'll pose them in the form of questions for the Panel and the JGAC to consider.

Candidate attributes

Seniority: the candidate attributes require a candidate who comes from a Non-Executive Director or senior line management role in a **large company**.

With the growth in challenger supplier organisations, there are people with good experience of operating within the gas market who have relevant experience of the gas industry, however, does your requirement exclude someone from that background? How is "large company" defined?

Private Sector: consideration as to potential conflicts of interest. It is clearly important that we avoid conflicts of interest, however it is equally important that experience and understanding of the issues facing gas shippers and transporters are understood, we need to avoid taking steps to avoid perceived conflicts of interests and ending up with people who are considered too remote from the current concerns of parties operating in the market today.

How will potential candidates be asked to address this? Will candidates with recent experience of working in a UNC signatory company be excluded, if so will there be a minimum period of non-related employment required?

Based in UK: The mandatory requirement for the potential candidates to be based in the UK is reasonable, however given the European Third Package and upcoming Brexit considerations we need to ensure that the person appointed has sufficient understanding of



these issues. How do we balance the need for an understanding of the European issues against the requirement for a UK based appointment?

Has relevant technical or commercial experience: The person appointed will need to get up to speed on the technical nature of the issues of the network code, but also will have to understand the wider considerations of how the market and governance arrangements are evolving. The Panel chair should have sufficient understanding of the operation of the gas market, the regulatory regime and the direction of the market so as to be able to form their own opinions independent of the advice from others, however well intentioned.

Role Description

Terms: National Grid Gas Distribution will appoint the successful candidate. Is this unaffected by National Grid Distribution's Sale?

Deputy Chair: The question of who should undertake the role of Deputy-Chair should be reconsidered. The UNC is the only code where any chairmanship activity is envisaged to be undertaken by a code administrator employee.

While it's reasonable to have a deputy chair – the question for me is whether that should be a role for the Joint Office CEO to undertake?

1. The panel meeting is resource intensive for the Joint Office, and it seems that its two most senior people are currently tied up in supporting the meeting, not just on the day itself, but on days related to preparation and conclusion of the meeting business. This has the consequence of making other industry meeting on the days before, including and immediately after the Panel meeting impossible.
2. It seems inefficient and uneconomic that the two most senior members of the Joint Office are tied up in delivering the Panel meeting, and it should be sufficient to have a suitably qualified Panel Secretary taking the minutes and recording decisions without the need to have the Joint Office CEO in attendance too. This could reduce the JO costs for the Panel meeting and enable the day to be useful to progress other industry issues.
3. I'm sure that while the Joint Office CEO would naturally wish to guide the Panel Chair in managing the meeting, the JO CEO needs to avoid any suggestion of partiality or give the impression that the Panel Chair cannot act without the support of the JO CEO.

So I ask you to consider whether it would be more appropriate to have an alternate Panel member empowered to step in as deputy chair for the rare occasion that it might prove necessary, and limit the JO CEO role to only emergency situations where it is too late to make alternate arrangements.



Perhaps the Joint Office can confirm how many times in the period when we've had an independent panel chair we have needed the deputy chair to step in at late notice, and where it would have been impossible to ask a pre-identified alternate to step in?

Key characteristics and experience of the Panel Chair: We agree that it's important that the person selected is demonstrably independent. The requirement for them not to have been recently employed by an industry party (shipper/transporter/supplier) and/or Ofgem, and this needs to be balanced against their gas experience being sufficiently current so that they can quickly get to the heart of issues. There is a lack of clarity on how long is recent or who determines what recent is and whether this conflicts with having relevant experience.

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