

## **COMMITTEES OF THE AUTHORITY**

### **Terms of Reference and Non-Executive membership**

*This note sets out briefly some information on the main Committees of the Gas and Electricity Markets Authority and their purpose, and the membership by its Non-Executive Members. Full terms of reference are attached.*

*In addition, the Authority has set up additional and sometimes ad hoc working groups to follow, review and advise on particular issues, working closely with Executive teams, on issues such smart metering and social strategy.*

*Non-Executive Members of the Authority follow particular areas of Authority business, proposed by the Chairman, according to their interest, experience and expertise. Members liaise with Ofgem Teams, attending meetings, and provide views and advice to the Authority accordingly. This approach covers regional issues, education and skills, engineering and science, consumer issues, corporate governance and the follow up to Ofgem's work on markets and future security of energy supply.*

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#### **Audit Committee**

Jayne Scott (Chair)

David Harker

Prof David Fisk

Jim Keohane

The Committee meets at least four times a year, and holds occasional workshops to which all Authority Members are invited. The committee considers and reviews all financial, budgetary and performance matters for Ofgem and E-Serve and has an increasing interest and involvement in risk and its identification, management and mitigation, and in the development of performance indicators

#### **Remunerations Committee**

The Lord Mogg (Chair)

Jayne Scott

John Wybrew

The Committee meets at least twice a year to review senior staff performance and their remunerations

#### **Offshore Committee**

Miriam Greenwood (Chair)

John Wybrew

Jim Keohane

The Committee advises the Authority on its consideration of all aspects of the development of the Offshore Electricity Transmission regime, including tendering processes

### **RIIO: Price Controls**

The Lord Mogg (Chair)

Miriam Greenwood

Jayne Scott

Prof David Fisk

David Harker

The Committee advises the Authority. It works on all aspects of the setting of price controls for transmission and distribution companies for the coming 8 year price control period, in the light of the principles adopted by the Authority in its underpinning RIIO approach. The Committee holds five or six meetings a year, including sessions with the major companies subject to the price controls.

### **E-Serve Programmes Committee**

Jim Keohane (Chair)

David Harker

The Committee advises the Authority and meets quarterly. It considers the effectiveness and efficiency of Ofgem E-Serve in its activities in delivering a range of energy programmes for DECC, reporting accordingly

### **Enforcement Committee**

The Enforcement Committee is constituted, and meets as necessary, to consider cases under investigation by Ofgem (for example, alleged breaches of licence conditions by suppliers of gas or electricity). The Committee can conduct hearings and consider representations. It has no standing members but comprises 3 Members, and is always chaired by a Non-Executive Director, with a majority of NEDs as members. The Committee has full delegation of the relevant powers from the Authority and can impose penalties.

## **E-SERVE PROGRAMMES COMMITTEE**

### **TERMS OF REFERENCE**

#### **1. Purpose**

To monitor the effectiveness and efficiency of Ofgem E-Serve in delivering the relevant activities pursuant to powers exercised under primary legislation by the Department of Energy and Climate Change (DECC) and to report to the Authority on those activities. In these Terms of Reference, "relevant activities" are the current or proposed functions of the Authority in relation to RO, REGO, FITs, CERT, CESP, WHD, NFFO and RHI as amended from time to time.

#### **2. Membership and Attendance**

The Committee shall comprise a non-executive member as Chair, one other non-executive member, the Managing Director E-Serve, the Managing Director (Commercial) and the Group Finance Director. The CEO of Ofgem shall be an ex-officio member of the Committee.

DECC shall be entitled to nominate 2 named observers at Director level or above who may attend and speak (but not vote) at any meeting of the Committee and shall (subject to paragraph 6 below) be entitled to receive the papers prepared for any Committee meeting.

Ofgem E-Serve shall provide a Secretary and Legal Adviser to the Committee.

Specialist external advisers, including senior business leaders with experience in delivery functions, may be engaged by Ofgem E-Serve to advise the Committee as necessary.

Other individuals shall attend by invitation on an ad-hoc basis.

A quorum shall be 2 Authority members of the Committee, 1 of whom must be a non-executive member of the Authority.

#### **3. Duties**

The main duties of the Committee shall be:

- To monitor the effectiveness and efficiency of Ofgem E-Serve in delivering the relevant activities including the timeliness and proportionality of steps taken in respect of compliance obligations arising under the relevant legislation and to provide assurance to the Authority or report any areas of concern;
- To recommend or advise the manner in which the relevant activities are to be performed;
- To ensure that Ofgem E-Serve has properly informed DECC of any proposed changes or modifications to the relevant activities and that such changes have been properly reflected in the Memorandum of Understanding and change control procedures;
- To advise the Authority on Ofgem E-Serve's suitability and capability to undertake potential new work
- To review the risks, controls, systems and processes relating to the relevant activities and liaise with the Audit Committee appropriately;

- To enable the Chair of the Committee to advise the Authority on Ofgem E-Serve's proposals for an annual strategy, business plan and budget in respect of the relevant activities.
- Subject to paragraph 6 below and to the rights of the Chairman to manage the meeting effectively and efficiently, to allow the DECC observers an opportunity to comment on and make representations in respect of matters under discussion by the Committee other than in relation to any matters relating to the functions of the Authority as the National Regulatory Authority;
- To enable the Chair of the Committee to advise the Authority on any matters which may materially affect its reputation or otherwise impact on the activities of Ofgem Orange.

#### **4. Delegated Powers**

- (a) The Committee shall have such delegated powers as the Authority may from time to time approve;
- (b) The Committee may advise the Authority on but not seek or agree to undertake any novel or contentious activities without the prior approval of the Authority.

#### **5. Meetings**

The Committee shall meet at least 4 times a year.

The Chairman of the Authority or any DECC nominated observer may request a meeting at any time to consider a specific issue. Any DECC nominated observer may seek a private meeting with the Chair of the Committee at any time.

#### **6. Conflict of Interest**

- a) Each member of the Committee and each DECC observer must provide confirmation to the Secretary to the Committee that s/he is not aware of any actual or perceived conflict of interest in respect of any matter proposed to be considered at that meeting and, at the commencement of the meeting confirm that the position has not changed;
- b) Where prior to or during a meeting, the Chairman considers that there is a risk of an actual or perceived conflict of interest in relation to a particular matter, [s]he may require the conflicted member or observer to withdraw from the meeting while that matter is discussed.
- c) The minutes of any meeting provided to each member of the Committee and attendees shall redact any matter relating to a conflict of interest matter in respect of that member or observer.
- d) Any comment or representation by a DECC observer shall have due regard to the independence of the Authority in the performance of its functions in accordance with its statutory duties.

#### **7. Reporting Procedures.**

As soon as practicable after each meeting, the Chair of the Committee shall inform the Chairman of the Authority and the Chair of the Audit Committee where appropriate, on any areas of concern.

The Committee shall provide a written report to the Authority on a quarterly basis.

# **AUDIT COMMITTEE**

## **TERMS OF REFERENCE**

### **1. Purpose**

To advise the Authority, and the Accounting Officer where such matters are relevant to him in that capacity, on anything that affects the financial health, financial reporting, probity, external reputation or wider risk management and internal controls of the organisation.

### **2. Membership and Attendance**

- The Committee shall have a minimum of three members, to be appointed by the Authority from its non-executive members, together with, in attendance:
- The Group Secretary, Group Finance Director, Associate Director Finance and Risk Management, Head of Internal Audit and a representative of NAO;
- The Executive shall provide a Secretary to the Committee;
- The Chief Executive/Accounting Officer attending by invitation or at his request;
- Other individuals attending by invitation on an ad-hoc basis;
- A quorum shall be considered to be two members.

### **3. Duties**

The main duties of the Committee shall be:

- To examine the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of risk management and financial and internal control systems, to recommend any necessary improvements and to approve the risk management strategy;
- Generally, to review the statutory accounts and other published financial statements and information and review arrangements established by management for compliance with regulatory and financial reporting requirements and specify any necessary changes;
- To challenge the Chief Executive on all aspects of his performance in relation to the matters within the purpose of the committee;
- To review and advise the Authority as to the adequacy of risk management procedures and processes;
- To review and advise the Authority as to the adequacy of anti-fraud and 'whistle-blowing' policies and processes;
- To monitor relationships with external auditors, particularly to ensure that there are no restrictions on the scope of the statutory audit and to review the activities, findings, conclusions and recommendations of the external auditors, including those arising from external audit outputs other than those arising from the statutory audit of the accounts and the adequacy of management responses and specify any further actions required;
- To recommend to the Authority appointment of the Internal Audit Service provider and to approve the appointment of the Head of Internal Audit, who shall have the right of direct access to the Chairman of the Committee at all times;
- To review the scope and nature of the work of the Internal Audit Service and to specify actions to ensure that any weaknesses identified are being corrected;

- To consider on an annual basis, separately with Internal Audit and NAO, (without executive officers being present) the performance of management insofar as it relates to the terms of reference of the committee;
- To keep under review and ensure compliance with the RPI-X% cost control regime;
- In relation to the Accounting Officer:
  - To review and advise him on his Statement on Internal Control;
  - To review and advise him as to the adequacy of risk management procedures and processes;
  - To review and advise him as to the adequacy of anti-fraud and "whistle-blowing policy and procedures".

#### **4. Meetings**

The Committee shall meet at least four times a year. The external auditors may request a meeting at any time to consider a specific issue.

#### **5. Authority**

The Committee is authorised by the Authority to investigate any activities within its terms of reference, and is authorised to seek any information it requires from any member of staff.

The Committee shall have the delegated powers which are necessary to enable it to perform its duties.

#### **6. Reporting Procedures**

The Chair of the Committee shall report to the Chairman of the Authority and, in relation to matters affecting his role as Accounting Officer, to the Chief Executive and shall provide a report to the next meeting of the Authority, and at such other times as the Chair may consider appropriate. The report to the Authority will include the minutes of the audit committee meetings.

At the end of each financial year, the Chair of the Committee shall produce an annual report for the Chairman of the Authority and the Accounting Officer.

# REMUNERATION COMMITTEE

## TERMS OF REFERENCE

### 1. Purpose

To advise the Authority on performance and reward issues of members of the Senior Civil Service within Ofgem.

### 2. Membership and Attendance

- The Committee shall normally comprise of three members, including the Chairman and other members to be appointed solely from the non-executive members, together, with in attendance:
- The Chief Executive,
- The Chief Operating Officer,
- A Quorum shall be considered to be two members,
- The Chief Operating Officer will act as Secretary to the Committee.

### 3. Duties

The main duties of the Committee shall be:

- a) To consider and make a recommendation to the non-executive members on the remuneration and any bonus award to the Chief Executive, Managing Directors and Chief Operating Officer (SMT members),
  - In recommending such awards take into account all factors which it deems necessary having regard to both individual performance and guidance issued by the Cabinet Office and the SSRB in relation to the Senior Civil Service,
  - The objective of such awards shall be to ensure that SMT members are provided with appropriate motivation and incentives to encourage enhanced performance.
- b) To review the performance and reward structure of Directors and Associate Directors to ensure that the principles of fair and reasonableness are being applied and that remuneration and bonus awards follow the same principles of (a) above,
- c) Having regard to individual performance and ongoing business requirement, review the overall numbers of Senior Civil Service in Ofgem and future plans.

### 4. Meetings

The Committee shall meet at least twice a year.

### 5. Authority

The Committee is authorised by the Authority to consider any activity within its terms of reference, and is authorised to seek any information it requires.

The Committee shall have the delegated powers which are necessary to enable it to perform its duties.

## **6. Reporting Procedures**

As soon as practicable after each meeting of the Committee and at such other times as the Committee may consider appropriate, the Chairman of the Committee shall report to the Authority so far as the requirement for confidentiality permits. Executive members of the Authority may be asked to leave the Authority meeting while this report is being given.

The Secretary of the Committee shall circulate minutes of each meeting to members of the Committee

# OFFSHORE ELECTRICITY TRANSMISSION COMMITTEE

## TERMS OF REFERENCE

### 1. Purpose

The purpose of the Committee is to provide advice to the Authority and Ofgem E-Serve on the significant policy and procedural aspects of the development and implementation of the offshore electricity transmission regime.

### 2. Duties

To receive updates and other information (including in response to its own requests) on progress being made on the development of the regime and its implementation and from these:

- To advise the Authority and Ofgem E-Serve on the ongoing development of major issues relating to the underlying policy framework for the regime, including co-ordinated offshore network development in the North Seas;
- To advise the Authority and Ofgem E-Serve on the implementation of an effective tendering regime;
- To advise the Authority on any issues which it considers to be of material interest or concern to the Authority;
- To assist the Audit Committee in its role of monitoring the risks associated with the delivery and implementation of the project.

### 3. Membership and Attendance

- The Committee shall comprise three non-executive directors of the Authority; one Senior Partner; the Legal Advisor to the Authority; the Managing Director, E-Serve; the Managing Director, Commercial; the Director Offshore Transmission and the Legal Director, Commercial;
- The current members of the Committee are Miriam Greenwood, John Wybrew, Jim Keohane, Stuart Cook, Michael Brocklehurst, Paul McIntyre, Stephanie McGregor and Elizabeth Hillman;
- The Committee will be chaired by a non-executive director of the Authority, or in his or her absence, another non-executive director of the Authority;
- Specialist advice may be engaged by Ofgem E-Serve, as necessary. Sir Keith Stuart and Christopher Deacon are currently engaged to advise the Committee;
- Ofgem E-Serve will provide the Secretary to the Committee;
- Ofgem E-Serve will provide administrative support to the Committee, as necessary;
- A quorum shall be considered to be two non-executive directors of the Authority.

### 4. Meetings

The Committee shall usually meet 4 times per year, but ad-hoc meetings may be arranged as necessary. It is expected that the Committee will always meet in advance of major Authority decisions on the regime.

# **RIO COMMITTEE**

## **TERMS OF REFERENCE**

### **Purpose**

The purpose of the Committee is to provide advice to the Transmission and Gas Distribution teams and directly to the Authority and where appropriate to scrutinise and advise the Authority on key areas of the development of Ofgem's proposals for the next gas and electricity transmission price control review and the next gas distribution price control review. The Committee will also be asked to meet with the gas and electricity transmission companies and the gas distribution companies and challenge their proposals in a proactive forum.

For the avoidance of doubt, the Committee will be expected to assume a greater role in the scrutiny of proposals and providing advice to the Authority on the detail of those proposals than the role of the Committee in the last distribution price control review (DPCR5). Therefore, the Committee will be required to consider issues in greater detail than the Authority and advise the Authority accordingly.

Unless it decides to delegate responsibility for other specific decisions the following areas will remain the responsibility of the Authority:

- Final decisions on key published documents including:
  - Initial strategy consultation (December 2010)
  - Strategy decision document (March 2011)
  - Fast-tracking consultation (January 2012) and fast-track decision document (April 2012)
  - Initial proposals (July 2012)
  - Final proposals (December 2012)
- Final decision on which parties should be subject to fast-tracking;
- Decisions on any issues which may not fully align with the RPI-X@20 principles; and
- Decisions on whether Ofgem should tender any large-scale discrete projects.

At all stages in the price control, including these decision points, the Committee will be presented with more detail on the key issues than the Authority. There will be fewer warm-up sessions with the full Authority ahead of key milestones and thus a greater onus on the Committee to consider key issues and provide advice to the Authority.

### **Duties**

The main duties of the Committee shall be to receive updates, review progress and advise the Authority on issues put forward as part of the gas and electricity transmission and gas distribution price control reviews. This will be achieved through:

- Review of the detail of the issues to be set out in key publications throughout the price control process. This will include the issues to be set out in the initial strategy consultations for each review in December 2010,

a review of summaries of responses received to those documents and the issues to be set out in the final strategy decisions for each control in March 2011;

- The Committee may also be asked to discuss and inform proposals in papers outlining the Gas and Electricity Transmission and Gas Distribution team's proposed way forward and could be asked to discuss issues relating to additional documents that we may choose to publish during the process;
- Presentations delivered by the price control teams followed by discussions at the Committee meetings; and
- Challenge meetings with each of the electricity and gas transmission and gas distribution companies and other relevant stakeholders including the Consumer Challenge Group at the following points in process:
  - In January 2011 to discuss issues for the Strategy Paper decision;
  - In September 2011 to discuss issues for the fast-tracking of the transmission companies; and
  - In January 2012 to discuss issues for the fast-tracking of the gas distribution companies; and
  - In October 2012 to discuss the issues for the Final Proposals papers for RIIO-T1 and RIIO-GD1.

The Committee shall also advise the Authority on key issues on which it will need to take decisions in respect of the price control review.

The Committee members will be expected to spend a maximum of one day of their time preparing for each meeting.

### **Membership and attendance**

The Committee shall comprise Lord Mogg, Alistair Buchanan, Miriam Greenwood, Jayne Scott, David Harker, Professor David Fisk, Hannah Nixon and Rachel Fletcher.

The Committee will be supported by a special advisor. The purpose of the special advisor will be to fill in any knowledge gaps in the Committee and to help members in understanding the issues brought by them. Paul Grout from the University of Bristol will be the special advisor.

The Committee will be chaired by Lord Mogg.

Ofgem will provide the Secretary to the Committee.

Ofgem will provide administrative support to the Committee, as necessary.

### **Meetings**

The Committee shall meet at a minimum of 13 points during the price control review:

- Twice during 2010
  - Once on 30<sup>th</sup> September 2010 –An introductory meeting to familiarise members with process for TPCR5 and GDPCR2 and to set out the issues that will be addressed in the initial strategy consultation.

- Once on 30<sup>th</sup> November 2010 – To discuss the detailed issues in the initial strategy consultation ahead of a meeting with the Authority in December.
- Six times during 2011
  - Two separate sessions in January – one with the TOs and one with the GDNs to discuss issues for the strategy paper.
  - Once in February 2011 – To discuss the detailed issues in the strategy decision document ahead of a meeting with the Authority in March.
  - Three times between September and December to discuss the developing views of the scope for “fast-tracking” transmission network companies.
- Six times during 2012
  - Two sessions in January. One session to review fast-tracking in RIIO-T1 and another session in January to meet the GDNs and CCG
  - One session in June to seek agreement on issues of particular substance for the Initial Proposal Documents for Transmission and Gas Distribution before submission to the Authority.
  - Two separate sessions in October with TOs and GDNs to discuss issues for the Final Proposals.
  - One session in November to seek agreement on issues of particular substance for the Final Decision Documents for Transmission and Gas Distribution before submission to the Authority.

Ad-hoc meetings may also be arranged as necessary.

**ENFORCEMENT COMMITTEE – LICENCE BREACH**  
**APPROVED BY THE GAS AND ELECTRICITY MARKETS AUTHORITY ON**  
**OCTOBER 2011**  
**TERMS OF REFERENCE**

**1. Purpose**

To review the matters referred to it and reach a decision using the powers under Sections 25 and 27A of the Electricity Act 1989 and under Sections 28 and 30A of the Gas Act 1986.

**2. Duties**

The duty of the Committee is to consider the matter referred to it and reach a decision as to whether to take action under Sections 25 and 27A of the Electricity Act 1989 and under Sections 28 and 30A of the Gas Act 1986 and if so what action to take.

**3. Membership and Attendance**

The Committee shall have a membership of three, of whom a non-executive member should be nominated Chairman. Any member of the Authority, any Senior Partner, any Acting Senior Partner, the Group Finance Director and the Managing Director of E-Serve is eligible to serve as members of the Committee together with, in respect of any matter relating to the activities managed by Ofgem E-Serve, the Managing Director of E-Serve and the Managing Director – Commercial.

A quorum shall be considered to be two non-executive members. Where any member of the Committee is not present for the oral hearing they are not permitted to have any further involvement in the decision-making process. If this leads to the Committee becoming inquorate, the matter should be referred to the Chairman of the Authority for a new committee to be established and the matter re-heard, at least from the oral hearing stage.

**4. Meetings**

The Committee shall meet as and when it is required.

**5. Authority**

Each Committee is authorised by the Authority in respect of the particular case referred to it to consider the matter referred to it and has delegated authority to make a decision as to any action under the powers under Sections 25 and 27A of the Electricity Act 1989 and under Sections 28 and 30A of the Gas Act 1986 acting in accordance with any published guidelines of the Authority on such matters.