

Governance of the Agency

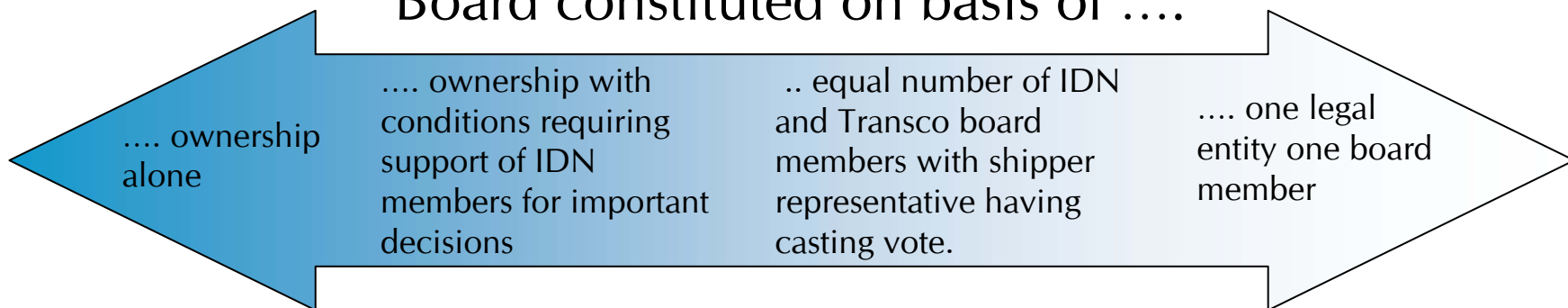
Ofgem proposals

Background

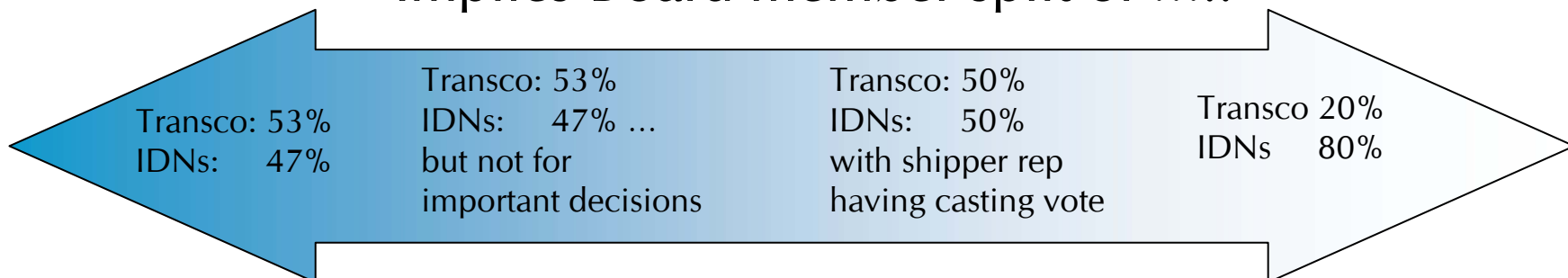
- Ofgem received some concerns from potential purchasers of DNs and some shippers regarding structure and voting rights of Board of Agency
- Several alternative structures proposed....

Spectrum of options

Board constituted on basis of



Implies Board member split of



3 main issues

1. Having a shipper representative on the Board
2. Having an independent non executive on the Board
3. Split of voting rights amongst GT owner of Agency

Shipper representative on Board?

- Agency is discharging licence obligations of owners
- Agency incentivised (through price control) to deliver services
- Also, a Director to a firm is legally obliged to act in interests of company, not a wider constituency – hence not clear whether work in practice

Might, however, be sensible to have an independent non-executive director on Board

Voting rights amongst Board members

- Ofgem policy is that decision making rights should, ideally, reflect exposure to costs, benefits and risks and hence ownership
 - In this case, Transco with at least 53% ownership, always has a majority for any decisions.
- Proposal, for discussion, therefore is:
 - Require special majority voting on pre-agreed issues or issues that meet certain criteria
 - To get Board approval on these issues, will require Transco plus two others (of the 4 IDNs and one non executive director – assuming 4 IDNs created)
 - Pre-agreed issues and / or criteria can be updated at any time



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