

# **Proposed constitution and structure for the GT Joint Office**

## **A paper for DISG 16 by NGT**

### **Introduction**

The constitution of the GT Joint Office (hereafter JO) and the requirement for its independence from the gas transporters was first discussed at DISG 13. As a result of this and subsequent discussions and the views expressed at DISG, NGT has developed further proposals on the structure and operation of the JO. This paper sets out NGT's proposals for :

- Legal structure
- Staffing
- Accommodation
- Funding
- Structure and content of the Joint Office Agreement (JOA)
- Process maps defining how the current modification process operates, and the proposal for operation once the JO has been established

When considering the requisite structure of the JO, it is important to note that the overriding objective in the decision to create a JO was to provide independent administration from gas transporters to support an already-revised set of network code modification rules and arrangements. Significantly, the revised modification rules and arrangements already deliver transparency and ensure against any potential for undue discrimination. In future, all modification proposals will be subject to the directions of the panel, which will have balanced representation from all industry stakeholders.

This is highly relevant in considering the scope of the Joint Office, since it is unnecessary to address the same issues that gave rise to the revisions to the network code modification rules and process more than once.

### **1 Legal Structure**

The JO represents an agreed arrangement, across all GTs, to establish an efficient and co-ordinated method to administer modification proposals to the UNC. The relationship between each of the UNC GTs and the JO will be governed by the JOA (defined in greater detail below). Each GT will be a signatory of this agreement, which will be a licence requirement. Further, a Code of Conduct will be established to identify how the JO will operate and how it will interact with the other parties in the modification process. The JO will be constituted of staff and other resources drawn from these signatories, who will also jointly fund it. It is not intended that the JO will be a separate legal entity to those of its participating members.

It is expected that Ofgem will continue to have regulatory powers over the activities that are to be conducted by the JO, through the GT licences.

### **2 Staffing**

NGT proposes a staffing model to deliver administrative support to the following processes :

- Uniform Network Code modifications
- Coordination of changes to charging methodologies
- Offtake Code modifications

#### **The JO is purely an administrative function**

The JO will have full responsibility for the administration of each UNC modification proposal. The relevant administrative tasks that it will undertake are listed below. In addition the JO will retain two members of staff to chair UNC Panel (Panel) and workgroup meetings and to coordinate with

subject matter experts (SMEs) and legal resources to ensure the generation of reports and drafting. It is stressed that the role is purely administrative.

### **Subject matter expertise will be provided by GTs and shippers under the direction of the Panel**

The substantive (or content) part of network code modifications will not be carried out by these core JO staff. The responsibility will lie with the party (whether GT or shipper) raising the modification to provide all of the necessary information for the reports to be reviewed by the Panel, GTs, and shippers. This party must provide the Panel, and ultimately Ofgem, with all relevant information to make a decision on whether or not to proceed with a specific modification. A standard template and guidelines will be introduced to assist the GT or shipper in the development of suitable modification requests.

Where a modification lacks clarity or the required supporting information, the Panel may refer the request back to the party that raised it. Once the Panel has decided to issue the modification for consultation the Panel will select an SME to lead the consultation process and draft the required report. The JO will maintain a list of SMEs drawn from the full community (GTs and shippers). For shippers, qualification to be on the list (and hence to be called on by the Panel on a rotating basis) will require commitment to be available when asked to do so and the extent of that commitment will be set according to their relative size. All shippers will be invited to participate. GT's will be required to contribute resources consistent with the expected GT licence obligations. The UNC Panel will select on a basis that is aimed to ensure that responsibility for modification reports and legal drafting is distributed fairly so that no one organisation bears an undue proportion of this workload.

Where required, the allocated SME will consult xoserve for an impact assessment of any required system changes. They will then generate the draft modification report (DMR) and issue this to the community for comment. They will collate the responses and draft the final modification report (FMR) for Panel review and sign-off.

These resources will be operating under the directions of the Panel and will be responsible to the Joint Office for delivery.

### **Legal resource will be provided by GTs and shippers under direction of the Panel**

Legal resource for legal drafting of the modification will be drawn from a list of relevant resources nominated by the community (GTs and shippers) in the same way as for SMEs. Again, the UNC Panel will take responsibility for allocating each piece of modification drafting to a legal resource drawn from a list, on a rotating basis and will ensure that no one organisation bears an undue proportion of the workload.

As with SMEs, these resources will be operating under the directions of the Panel and will be responsible to the Joint Office for delivery.

### **Code of conduct for subject matter experts and legal resources provided by GTs and shippers**

SMEs and legal resources nominated by their organisation will be provided with a code of conduct describing their responsibilities in processing modification requests, and providing guidelines on how they interact with all other parties in the process. This code of conduct will also state that no individual can perform work for their own organisation that is directly related to a modification proposal that they are currently working on for the UNC Panel. Observance of the Code of Conduct will be required. This should serve to ensure that independence is preserved.

### **Advantages of this staffing model**

This staffing model is proposed because:

- It creates the desired independence - the JO cannot interfere with substantive content; it is an administrator and co-ordinator
- Efficiency - it minimises the costs associated with the JO
- It allows shippers to participate in the content of UNC modifications – another desired aim
- Modifications are not unduly influenced by the Panel allocatee since the list will operate on a rotating basis and parties cannot select which modifications they offer their services for
- It protects against sub-optimal utilisation of SMEs and legal resource which would result if “long term” secondments to the JO were to be required
- It ensures that sufficiently skilled SME and legal resource can be identified to work on each modification request (which may not be the case if these roles involved full time assignment to the JO)
- Allocation of the workload by the UNC Panel ensures that the volume of work is equitably shared between parties
- Avoids placing an onerous burden on any one party at the outset of the JO to transfer a number of highly skilled and experienced staff out of their organisation
- Avoids resource constraints – removes staff concerns over long term allocation to the JO, which is thought to be unattractive to individuals.

The purpose of the JO is to establish an independent administrative organisation to avoid any real or perceived instances of undue influence in the modification process. The proposed staffing model achieves this objective. Once submitted, the modification is fully controlled by the UNC Panel and administered by the JO. The proposed process provides adequate opportunity for all members of the community to review and comment on the modification whilst all drafting and collation of comments is completed by suitably skilled resources subject to a code of conduct.

### **All parties retain the right to make representations to Ofgem**

Additional to these controls, all interested parties (GTs and shippers) retain the opportunity to comment on draft modification proposals and make direct representations to Ofgem where they believe their interests have not been taken fully into account during the administration of the process.

NGT also believes that this “thin” model provides excellent flexibility to adapt the required model for the JO based on performance against its success criteria.

### **Administrative tasks of the JO associated with Uniform Network Code Modifications**

Based on the model outlined above the JO will carry out the following tasks:

- Administration of Modification Requests
  - Log and allocate modification requests
  - Schedule meetings of UNC Panel and work groups
  - Generate meeting agendas, take meeting minutes and circulate
  - Circulation of draft consultation reports and collection of feedback
  - Circulation of FMRs to Ofgem, shippers, and GTs
  - Liaison with Ofgem during decision process, and expediting
  - Receipt of Ofgem decision
  - Issue implementation/non-implementation notice and Ofgem decision letter to shippers and GTs
  - Advise xoserve to start any system related changes (under direction of the Panel)
  - Receipt of system implementation plans from xoserve and circulation to UKLink committee
  - Hold, administer, and revise master UNC text
  - Administer process for printing and distribution of UNC
- Office administration
  - System administration of document control system
  - Manage and update registry of GT and shipper supplied SMEs

- Cost control and accounting
- General office administration (ordering equipment, managing office facility services etc.)
- Modification report drafting
  - Liase with SMEs and legal resources to obtain drafting of DMR and FMR within timescales
  - Provide administrative support to SMEs and legal resources
- Leadership of JO
  - Chair UNC panel and workgroup meetings
  - Contribute to policy and strategic decision regarding role and future development of the JO
  - Provide pastoral care and line management for staff and persons “seconded” in to deal with issues in the JO

Based on this analysis of activities, the attached ‘to-be’ process map, and experience of current operations we believe the model described will require the following resources:

- JO lead and chair of meetings (2 FTEs)
- Liaison and support to SMEs and legal resources (1 FTE)
- System administrator (1 FTE)
- Proof reader and system administrator back-up (1 FTE)
- Office administrator (1 FTE)

Hence our belief is that the total resource core JO staff requirement for the proposed JO is 6 FTEs to administer network code modification proposals (see below for the two further tasks).

These staff could be drawn from the existing employees of GTs or through external recruitment. These resources would remain employees of their respective GTs or, in the case of external recruits, would become an employee of NGT or any other GT party to the JOA. Staff would remain an employee of this organisation throughout their tenure at the JO. They would be seconded to the JO on a full time basis, either permanently or for a term agreed with their own employer and by the parties to the JOA.

In addition, it has recently been decided that the Joint Office should also provide administration to support :

- The Coordination of changes to charging methodologies and
- Modification of the Offtake Code

Whilst detailed analysis has not been conducted, it is estimated that these activities could be carried out by the JO with 1 additional FTE, the tasks will have to be further defined.

### **3 Accommodation**

The JO will be accommodated in offices separate from any GT’s office or will be access-controlled within a GT office.

This will ensure that implementation and incremental operating costs are controlled. New and completely separate offices would incur significant costs. Establishing separate accommodation offers aesthetic advantages, however, it is not clear that, given an established discrete area for JO operation and a defined JO/GT code of conduct, that the advantages of separate accommodation would be anything more than cosmetic.

### **4 Funding**

There is no plan to re-open the current GT price controls, from which the JO activities are currently funded. Accordingly, it is expected that the JO will be funded by subscriptions from its members (GTs) during the current regulatory period. These subscriptions would be defined in the JOA. To

maintain simplicity and consistency with other funding arrangements it is proposed that these subscriptions are allocated in the same way as the GTs fund the operation of xoserve.

Resources for the JO core staff would be supplied by the GTs. It is proposed that these resources can be provided as 'funding in kind'. Effectively, the JO would operate an agreed expenditure budget offset exactly by contributions from the GTs, which would be made up of a combination of cash funds and resources.

Another, minor, consideration is the question of non-staff resources. This includes IT hardware, software, and office equipment. In the interests of efficiency it is proposed that these are provided as standalone facilities by the GT in whose offices the JO is housed, without any access to the GT's information systems or vice versa. The cost of these elements is included in the JO's operating budget and funded by the contributing GTs on the same basis as all other funding.

## **5 Proposed structure for the Joint Office Agreement (JOA)**

This is under development and reflects the contents of this paper.

## **6 'As-is' and 'to-be' process maps for the UNC modification process**

These have been compiled for the purposes of demonstrating that the UNC modification process / rules themselves provide substantial protection against any potential for undue influence or inaccurate/insufficient representation in the substantive content of the modification proposals.

Attached as Appendix 1 and 2

## **Summary**

These proposals have been developed with the objective of designing an independent Joint Office to provide administrative support to the UNC Panel in processing network code modification proposals. The process maps referred to in 6 above illustrate that stakeholder input to the substance of the modification proposals is adequately balanced and this obviates the need for a "thicker" JO model. NGT believes that this proposal for a thin JO, combined with the changes to the network code modification rules provide an effective solution to the industry's requirement for independence and avoid any opportunity for undue influence, while also delivering best value to consumers – who will ultimately bear the costs of these services.