

# UNC Governance

Development & Implementation Steering Committee  
24 February 2005

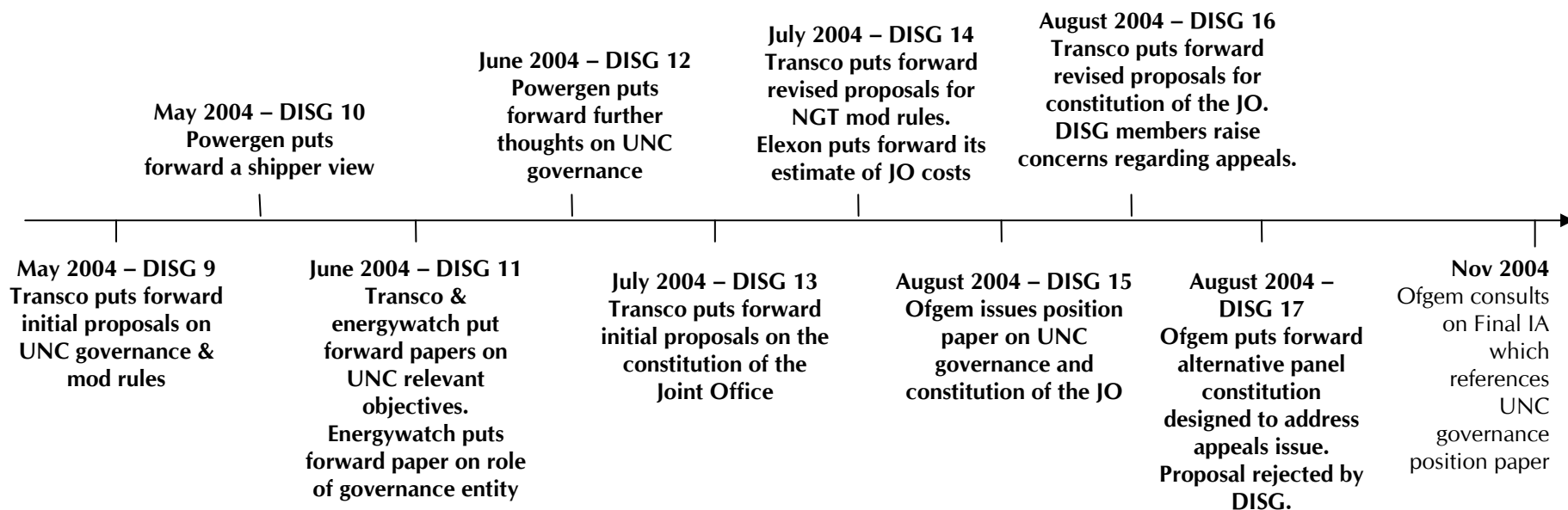
# Background

- Background to policy development process on governance
- Ofgem preliminary position paper
- Options and way forward

# Policy development process

- Governance, including modification rules – subject of extensive consultation through DISG, RIAs & Nov 04 Impact Assessment
- DISG – not a decision making body, nothing presented or discussed at DISG fetters discretion of Authority.
- Ofgem prelim position paper reflected DISG discussions
- Ofgem prelim position paper not binding on Authority
- Final Impact Assessment – November 04
- January 2005 Authority decision –
  - endorsement of regulatory, commercial and operational framework
  - Conditions to consent – recognises detail to be developed – this includes detail of UNC.

# Policy development process



DISG considered UNC governance between May-August last year

# Key issues for governance in DN sales

- Objectives -
  - Non-discrimination
  - Inclusiveness
  - Transparency
  - Effectiveness and efficiency
  
- Modification process should reflect diverse industry structure
- If a sale proceeds - no one single party or class of parties should dominate the modification process.
- Proposals focussed on addressing DN sales issues rather than outcome of appeals process –which is unknown.
- But...recognise that process may need to change in future depending on appeals regime.

# Preliminary position paper

- Equal shipper and transporter representation ( 5 – 5)
- Panel takes on significant process based role
- Simple majority rule applies to Modification Panel decisions
- Chair has casting vote, except where decision relates to a recommendation to be made to the Authority
  - panel chaired by Joint Office staff member

# Subsequent developments

**December 2004 - UNCDF**  
Transco issues business rules which propose a minimum change approach – inconsistent with Ofgem position paper

**20 January 2005**  
Authority grants conditional consent to DN sales. Decides to postpone implementation of enduring offtake arrangements until September 2005, with best endeavours licence obligations on GTs.

**16 February 2005**  
Transco presents revised drafting of Section Y to UNC legal drafting workshops. Some shipper representatives indicate dissatisfaction with process.

**18 January 2005**  
UNC Development Forum members write to Ofgem proposing that the modification rules are not subject to major change prior to the DTI decision on appeals

**4 February 2005**  
Ofgem issues open letter responding to UNCDF letter, indicating that Ofgem considers that the position developed in May-August 2004 should be retained

## Options for Panel composition

- Option A – Maintain 5 – 5 approach (chair casting vote, except for Authority recommendations)
- Option B – Energywatch becomes voting member
- Option C – Code provision to review composition once Appeals regime is in place
- Option D - Panel elects independent voting member
- Option E – Panel representatives participate on an independent basis

Options retain a balanced panel composition whilst mitigating the risks associated with deadlock

# Consideration of options

- Discussion
- Way forward – UNC Development forum...

A large, central version of the ofgem logo, featuring the word "ofgem" in white lowercase letters on an orange rounded rectangular background. The background of the slide is a faded image of electrical components, including a three-pin plug and a fuse box, with the word "electricity" faintly visible in the background.

*ofgem*

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