

GSG Recommendation on appointment process for an independent CUSC Modifications Panel Chairman

Paper to January 2011 CUSC Modifications Panel

1. Background

- 1.1 CAP185, "Code Governance Review: Role of Code Administrator and Code Administration Code of Practice", was implemented on 30th December 2010. CAP185 implemented one element of Ofgem's Code Governance Review, including a requirement for the chairman of the CUSC Modifications Panel to be independent of National Grid, who provided the Panel Chairman previously. The new CUSC provisions take effect from 1st October 2011¹.
- 1.2 Although CAP185 implemented the basic requirement for the Panel Chairman to be independent of National Grid, it did not include detail of how such a person would be appointed. During the discussions of the CAP185 Workgroup, it was agreed that the issue of the appointment process should be referred to the Governance Standing Group (GSG) for its consideration and to develop an approach to be put forward to the CUSC Modifications Panel.
- 1.3 The GSG developed proposals during autumn 2010 and published an industry consultation paper on 17th December 2010, proposing 4 options. The consultation received 3 responses².

2. Summary of GSG proposal

- 2.1 The GSG discussed the consultation responses at its meeting on 19th January 2011 and agreed to the following recommendations to the CUSC Modifications Panel. Full details of the recommendation in section 3 below:
 - Adoption of "option 1": Selection Adviser (head hunter) & Panel Subcommittee & Panel Recommendation
 - Creation of a Panel Subcommittee to assist with the appointment process
 - Time commitment of 2.5 working days/month, plus contingency of 5 working days/annum for "urgent" Panel business
 - Unlimited rolling appointment based on 2 year term of office
 - Payment based on attendance, not on fixed annual fee

3. GSG's detailed recommended process

- 3.1 **Option 1.** This option includes use of a Selection Adviser (head hunter), creation of a Panel Subcommittee and a final Panel Recommendation, as set out below:

¹ The Code Governance Review Final Proposals, dated 31st March 2010, are available on Ofgem's website at <http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Pages/GCR.aspx>

² The Consultation paper and responses are available on National Grid's website at: <http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/workingstandinggroups/gsg/>

- Step 1: Selection Adviser draws up a shortlist of candidates according to the agreed Candidate Attributes;
- Step 2: Panel Subcommittee reviews shortlist of candidates (may include interviewing the candidate(s)) and recommends candidate(s) to the Panel for recommendation to the Authority;
- Step 3: All Panel Members review Subcommittee's recommendation and recommend no more than 3 candidates for appointment to the Authority.
- Step 4: Authority approves appointment. If Authority does not approve appointment, steps 1 to 3 to be redone, as required.

3.2 **Panel Subcommittee.** The GSG considers that creation of a Panel Subcommittee would assist the Panel and National Grid in the appointment process as it would avoid requiring coordination of all 9 Panel Members to liaise with the Selection Advisers, develop candidate attributes and review the initial candidate list and should therefore speed up the appointment process.

3.3 The GSG proposes the following membership for the subcommittee:

- Code Administrator – 1 representative (National Grid)
- National Grid Electricity Transmission plc – 1 representative (this could be the existing Panel Chairman)
- Panel Members – 2 representatives (not including National Grid or Authority Representative or Appointee)

3.4 The Panel Subcommittee would undertake the following tasks:

- a) review the terms of reference for the Selection Adviser;
- b) meet with the Selection Adviser to discuss their capabilities and selection process;
- c) review the Selection Adviser's experience of appointments to a similar post;
- d) review and agree the scope of the Chairman's role, the anticipated workload (this is expected to be a part-time role);
- e) assess the shortlisted candidates provided by the Selection Adviser (this may include interviewing the candidate(s)) and recommend to the Panel the candidate or candidates who should be put forward to the Authority as the Panel's recommended candidate for approval.

3.5 **Candidate attributes.** The GSG consulted on potential ideal candidate attributes (see Consultation paper). All respondents agreed that for reasons of cost and availability, candidates should be based in the UK and not overseas, but did not agree on the other proposed attributes. Based on the responses, the GSG agreed that the Panel Subcommittee should assist with drafting the role outline and that this should focus on the ability of the candidate to perform the role, rather than specific individual characteristics such as sectoral experience. For example, the GSG agreed that the ideal candidate will need to have relevant experience of chairing meetings of decision making bodies.

- 3.6 The GSG noted that the licence precludes a candidate from National Grid being considered for the role. The GSG consulted on whether there were any other potential candidates who currently fulfil certain roles which may be deemed unsuitable, for example, existing CUSC Modifications Panel Members or Ofgem employees. Based on the consultation responses and GSG discussions, the GSG recommends that existing Ofgem employees would not be ideal candidates due to potential conflict of interests.
- 3.7 **Role of Panel Chairman.** The GSG identified the following tasks to be undertaken by the Panel Chairman:
- Agree meeting agenda with Code Administrator
 - Chair monthly Panel meetings (and ad-hoc Special Panel meetings)
 - Undertake Panel Chairman role in respect of the urgent process
- 3.8 **Time commitment.** The GSG estimates that the likely time commitment for a Panel Chairman would be approximately 2.5 working days per month. This consists of 1 day's attendance at the Panel meeting and 1.5 days to read the Panel papers, liaise with the Code Administrator and travel to and from the meeting. In addition, there would be a time commitment associated with urgent modifications. Although difficult to predict, based on recent experience, the GSG recommends that 5 working days per annum be budgeted for to take account of urgent matters.
- 3.9 **Reappointment.** The CUSC sets the term of office of the Panel Chairman at 2 years. The GSG recommends that Panel Chairman could be reappointed after one term, following a (brief) industry consultation and on recommendation to the Panel.
- 3.10 The GSG recommends initial adoption of this process, but recognises that there will be lessons learned from the first time the appointment process is undertaken and that the process may need to change as a result.

4. Next Steps

- 4.1 The independent Panel Chairman role will be effective from 1st October 2011. The GSG notes that it may be preferable for the new chairman to 'shadow' the current Chairman for a short period prior to commencing the role. Given the potential time required to run the appointment process, the GSG wishes to confirm the process as soon as possible.
- 4.2 Once the process has been agreed, the following initial steps need to be taken (if option 1 is approved):
- National Grid to pursue appointment of a Selection Adviser
 - Panel to nominate and agree Subcommittee members
 - National Grid (as Code Administrator) to coordinate Subcommittee meetings

5. Recommendations

- 5.1 **Panel Members** are asked to:
- APPROVE the proposed process
 - NOMINATE Panel Members to join the Panel Subcommittee

- 5.2 **The Authority Representative** is asked to give an initial view on the suitability of the proposed process, including use of a Selection Adviser.