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Paper Reference:	**SECP_60_1409_18**
Action:	**For Decision**

Allocation of the Change Sub-Committee responsibilities

1. Purpose

SECMP0049 'Section D Review: Amendments to the Modification Process' will, if approved, introduce a 'Change Sub-Committee' to oversee the development of new modifications during a 'pre-modification process'. This could be a new group, or the role could be allocated to an existing group. The purpose of this paper is to discuss the merits of using the Change Board or a newly formed Sub-Committee. We lay out the advantages and disadvantages of both options and ask the Panel to determine how it would like to proceed.

2. Formation of the Change Sub-Committee

SECMP0049 will create a new Sub-Committee, called the 'Change Sub-Committee'. This group will facilitate the development, refinement and discussion of Draft Proposals prior to their formal submission as Modification Proposals (if required).

When reviewing the strawman solution arising from the SEC Section D Review in March 2018, the Panel disagreed with the proposal that a new Sub-Committee be formed. Members believed that the Change Board should be utilised during these early stages in order to provide continuity.

During the development of SECMP0049, industry participants expressed a strong preference that the group that oversees the pre-modification stage be a separate group to the Change Board. This would create an 'issues group' setup similar to that employed under other Codes, Equally, when the Change Board voted on SECMP0049, some members noted concerns over it picking up this additional role, expressing a preference that these duties be discharged by a separate group.

The legal text for SECMP0049 has been worded to allow the Panel to allocate the role of the Change Sub-Committee to an existing Sub-Committee (i.e. the Change Board) or a new group. This provides flexibility for either option to be put in place, and for this to be changed at a later date without the need for a modification, if it is found the first way is not working.

SECMP0049 is currently with the Authority for determination, with a proposed implementation date of 1st November 2018. If SECMP0049 is approved, the Panel will need to determine how it wishes to allocate the Change Sub-Committee role. We will also need to prepare Terms of Reference accordingly, either by updating the Change Board Terms of Reference or creating Terms of Reference for the new group. In order to facilitate the preparation of these documents, we ask the Panel to agree now how it wants to proceed should SECMP0049 be approved.

3. Benefits and drawbacks of each option

To help the Panel's discussion, we have laid out below the benefits and drawbacks identified associated with each option. This includes views expressed by industry participants during the development of SECMP0049.

3.1 Option 1: Allocate the role to the Change Board

There are some advantages in allocating the role to the Change Board:

- Firstly, this group is already established, which means there is no need to consult the industry in order to seek membership for a new committee.
- This approach will also mean that there is one body with single end-to-end oversight on the Modifications Process, providing consistency.

We have identified the following disadvantages to keeping the Change Board as the sole body overseeing the Modifications Process:

- Firstly, the Change Board already votes on whether a Modification Proposal is approved or rejected and will, under SECMP0049, also vote on whether a modification is ready to be issued for Impact Assessment. If the Change Board is also involved in developing the initial proposals, this could mean that, in a lot of cases, the Change Board is reviewing its own work. SECMP0049 Working Group members and Change Board members have also expressed concerns regarding how the two parts of the meeting would work together, with each part potentially needing different terms of reference in order to work effectively.
- Having the Change Board be responsible for so many aspects of the Modifications Process could leave it open to an excessive workload, and this could potentially bring down the quality of work or create a backlog of tasks waiting to be completed.
- There is concern that the current Change Board membership would be too large for discussions, as there are currently 22 seats, which would increase as more Large Suppliers are registered. This could make it difficult for everyone to clearly get their views across during any discussions.
- A further issue that may arise is that the current Change Board may not contain the right mix of people to have responsibility for completing the votes as well as helping to develop initial proposals. Change Board members have been appointed on the basis they are to review the final Modification Reports and vote on whether to approve or reject the changes. These people may not be the same people who would be best placed to support Proposers in the initial development of a modification. We note elections are due to be held for the new terms starting in February 2019, and new members could be appointed based on the mixed role, but organisations may identify separate people who would be better to be involved at the different stages and would have to choose which to appoint.

3.2 Option 2: Form a new Change Sub Committee

We have identified the following advantages to creating a new group:

- Some industry participants, including several SECMP0049 Working Group members, have expressed a preference for setting up a separate body, as it will allow this group to be specifically set up and to act in a similar manner to other 'pre-modification forums' under other Codes.
- There is the chance to identify the right individuals to help in developing changes, which may be different to those best placed to vote on changes. This would also enable the group to be a more manageable size for holding discussions, and to have the right mix of people who can provide support and guidance to a Proposer. In creating this new Sub-Committee, while drafting its Terms of Reference, responsibilities could be properly shaped and drawn out, allowing for the right membership and meeting structure to be established early on.
- The creation of a separate Change Sub-Committee would also allow for a clear split in the responsibility between this group and the Change Board, and would allow for a more realistic and manageable workload for both bodies.
- This separation would allow for better scheduling of meetings, allowing for adequate review time for documents and papers. The Change Board meeting dates are determined by the duration of the Modification Report Consultation. This can be three to four weeks prior to the next Panel meeting, which would create additional delays should it also be passing Draft Proposals to the Panel to progress on into the Modification Process.

In comparison, we have identified the following disadvantages of establishing a new Sub-Committee:

- The first is the administrative burden that comes with setting up a new body, with the pre- and post-meeting administration and paperwork that needs to be completed. Having a further meeting each month would also put an additional burden on participants who are already involved in other groups across the industry.
- There are concerns over the Sub-Committee's membership, in particular whether individuals will volunteer or be nominated and how quoracy would be determined. Alternatively, there is the potential for there to be too much interest and excess volunteers. We would need to determine and agree these rules as part of writing the Terms of Reference for this group.

4. Conclusion and next steps

Having weighed up the points discussed, we consider that the benefits of setting up a new Change Sub-Committee would outweigh the disadvantages. While we recognise the efficiencies that would come from merging the Change Sub-Committee role in with the Change Board and covering all points in the same meeting, we consider that the different roles and input required at the different stages would benefit from separate meetings attended by the appropriate industry representatives. This would allow Proposers to realise greater benefit from the input of the Change Sub-Committee during the Development Stage, and for this group to be able to act in a more efficient manner.

While we recognise that this could lose the end-to-end oversight that would come with a single body, we note that the purpose of the Change Sub-Committee is to oversee and facilitate the development of new proposals, rather than provide oversight of the whole process; that role would remain with the Panel. We would seek to update the Change Board on the progress of Draft Proposals and Modification Proposals during their lifecycle, in order to facilitate its final vote, and the full history of a change would be documented in its Modification Report.

We would therefore recommend the Panel to establish a separate Change Sub-Committee should SECMP0049 be approved.

If the Panel agrees with this approach, we will draft the Terms of Reference for this new Sub-Committee and present these to the Panel in October 2018. If the Panel wishes to allocate the role to the Change Board, we will update the Change Board Terms of Reference and present these to the Panel in October 2018.

5. Recommendations

- **CONSIDER** the benefits and drawbacks of the two options; and
- **AGREE** that a separate Change Sub-Committee should be established if SECMP0049 is approved.

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SECAS Team

7th September 2018