

# **Compliance Statement in Respect of Special Condition 20**

## **Compliance Statement**

### **National Grid Electricity Transmission plc**

Prepared pursuant to Special Condition 20 of the electricity transmission licence treated as granted to National Grid Electricity Transmission plc (registered in England with number 2366977) whose registered office is at 1-3 Strand, London WC2N 5EH under section 6 of the Electricity Act 1989

**30<sup>th</sup> September 2016**

## Version Control

Version	Date of change	Summary of changes
0.1	2 <sup>nd</sup> December 2015	Draft compliance statement submitted to Ofgem for review and comment
0.2	19 <sup>th</sup> February 2016	Draft compliance statement submitted to Ofgem for review and comment, following review comments received on 21/01/16.
0.3	27 <sup>th</sup> May 2016	Draft Compliance Statement submitted to Ofgem for review and comment following review comments received on 06/04/2016
1.0	30 <sup>th</sup> September 2016	Document approved by Ofgem

## Definitions

For the purposes of this statement, unless indicated otherwise the following definitions from the NGET licence apply:

**“Associate”** means:

- (a) an Affiliate or Related Undertaking of the licensee;
- (b) an Ultimate Controller (as defined in standard condition A1 (Definitions and interpretation)) of the licensee;
- (c) a Participating Owner of the licensee; or
- (d) a Common Control Company.

**“Authority”** shall have the meaning given in standard condition A.1.

**“Common Control Company”** means any company, any of whose ultimate controllers (applying the definition in Standard Condition A1 (Definitions and interpretation) but substituting that company for the licensee) is also an ultimate controller of the licensee.

**“Compliance Officer”** means the compliance officer appointed by NGET in accordance with paragraph 20 of Special Condition 20.

**“De minimis business”** shall have the meaning given in standard condition B6.

**“Information”** means all information of whatever nature and in whatever form including, without limitation, in writing, orally, electronically and in a visual or machine-readable medium including CD ROM, magnetic and digital form.

**“Licence”** means the electricity transmission licence granted to NGET under s6(1)(b) of the Electricity Act 1989.

**“National Grid”** means the National Grid group of companies.

**“NGET”** means National Grid Electricity Transmission plc.

**“Offshore Transmission Owner”** shall have the meaning given in standard condition A1.

**“Participating Interest”** has the meaning given in section 421A of the Financial Services and Markets Act (2000).

**“Participating Owner”** - For the purposes of the definition of Associate above, a person is subject to a Participating Interest by another person (a “Participating Owner”) if:

- (a) that other person holds a Participating Interest in the person; or
- (b) the person is subject to a Participating Interest by a person who is himself subject to a Participating Interest by that other person.

**“Relevant Other Competitive Business (ROCB)”** means the business of:

- (a) participating in, or intending to participate in, a competitive tender exercise to determine a person to whom an offshore transmission licence is to be granted;
- (b) an Offshore Transmission Owner;
- (c) undertaking carbon capture and storage activities; or
- (d) owning and/or operating an entity participating in, or intending to participate in, activities which require a licence under section 6(1)(e) of the Electricity Act 1989.

**“Relevant System Planning Activities (RSPA)”** means activities undertaken by the licensee pursuant to:

- (a) standard condition C27 (The Network Options Assessment process and reporting requirements);
- (b) paragraph 4(c) of standard condition C6
- (c) paragraphs 3(c), where relevant to Developer-Associated Offshore Wider Works, 5A and 9A of standard condition C8 (Requirement to offer terms);
- (d) standard condition C25 (Provision of information and assistance to the Authority in relation to applications requiring the appointment of an offshore transmission owner), where relevant to Developer-Associated Offshore Wider Works; and
- (e) paragraphs 1(bb), 3(e) and 13(aa) of standard condition C11 (Production of information about the national electricity transmission system).

**“Relevant System Planning Information (RSPI)”** means all Information disclosed to or acquired in any way (and whether directly or indirectly) by the licensee’s employees, agents, contractors and advisors solely by virtue of the performance of Relevant System Planning Activities by the licensee, but excluding all Information that is in or has entered the public domain otherwise than as a direct or indirect consequence of any breach of the Licence.

**“Shared Services”** means shared corporate services as specified in Appendix 1 of this compliance statement.

**“Single Appointed Director”** has the meaning given in Special Condition 20.21.

**“Special Condition”** means a special condition of the Licence.

**“Standard Condition”** means a standard condition of the Licence.

**“Systems”** means the IT systems developed to support delivery of Relevant System Planning Activities.

**“System Operator Functions”** means the activities of the licensee pursuant to the obligations under Section C of the Licence, for which there are no equivalent obligations under Section D or Section E, of the standard licence conditions contained in an electricity transmission licence. For NGET, System Operator Functions are those activities reporting into the Director, System Operator as set out within Appendix Four.

**“Transmission Business”** means the authorised business of the licensee or any affiliate or related undertaking in the planning or development or construction or operation or maintenance or commercial management of the licensee's transmission system or the national electricity transmission system or the provision of transmission services (whether or not pursuant to directions of the Secretary of State made under section 34 or 35 of the Act) or the coordination and direction of the flow of electricity onto and over the national electricity transmission system including the transmission owner activity, the balancing services activity, and any business in providing connections to the national electricity transmission system, but shall not include:

- i. any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement; or
- ii. any other business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons.

## **1. Introduction**

This Compliance Statement (“Statement”) has been prepared to secure compliance with the specified duties as set out in Special Condition 20 (Business Separation requirements and compliance obligations, and conduct of the System Operator in performing its Relevant System Planning Activities) of the Licence. The purpose of this Statement is to describe the practices, procedures and systems which NGET has adopted (or intends to adopt) to secure the confidentiality of RSPI, and to ensure that NGET, in performing the RSPA, acts in a manner intended to secure that none of NGET’s businesses, nor any business of any Associate of NGET, obtains any unfair commercial advantage, including any advantage from a preferential or discriminatory arrangement, as a result of NGET carrying out the RSPA.

## **2. Legal and functional separation of National Grid Electricity Transmission plc and Relevant Other Competitive Businesses**

- 2.1 In accordance with paragraph 4 of Special Condition 20, NGET shall in carrying out its licensed activities put in place and at all times maintain such systems of control and other governance arrangements which are necessary

to ensure that NGET complies with the obligations contained in standard condition B5 (Prohibition of Cross Subsidies), standard condition B6 (Restriction on Activity and Financial Ringfencing) and special condition 2C (Prohibited Activities and Conduct of the Transmission Business) The systems of control and governance arrangements include:

- 2.1.1 In accordance with standard condition B5 (Prohibition of Cross Subsidies) NGET has in place systems of control and governance arrangements to ensure that NGET does not give any cross subsidy to or receive any cross subsidy from any other business of NGET or of an affiliate or related undertaking of NGET (including any of the ROCB). NGET publishes Audited Regulatory Accounts in accordance with standard condition B1(Regulatory Accounts), which also requires NGET to set out a Statement in respect of the bases of charge or apportionment for any costs or revenues charged to or received from NGET's Ultimate Controller (National Grid plc) and any subsidiary of the Ultimate Controller.

In accordance with paragraph 7 of special condition 2O, NGET's accounts are maintained and to the extent required by law are audited and reported separately from those of any corporate entity which conducts ROCB. This underpins separation of function, cost and revenues. A full copy of the statutory accounts and report of the auditors for National Grid plc is available on the National Grid plc website and includes details of the independence of auditors and the process for the appointment of auditors.

For services which are not covered by licence formula or industry charging statements, NGET has a Governance Policy for the Pricing of Intra business and Third Party Services. The policy is in place to secure that consistent pricing is applied for services provided to group companies and third parties. It is published on the Compliance Officer's intranet website and is promoted through the network of Licence Advisors (as described in section 5.6), relevant finance business partners and legal advisors. Compliance is monitored through the annual monitoring process as set out in section 5.6 (b). Allocation of costs for Shared Services functions is covered in section 2.1.3.

- 2.1.2 In accordance with Standard Condition B6 (Restriction on Activity and Financial Ringfencing) NGET does not conduct or carry out any activity other than the Transmission Business or other de minimis activities (each as defined in the NGET licence) or activities to which the Authority has given its consent in writing. Financial reporting is included in the Regulatory accounts as described in section 2.1.1.
- 2.1.3 In accordance with Special Condition 2C, NGET will not hold or seek to hold a transmission licence that has section E (Offshore Transmission Owner Standard Conditions) in effect.

NGET conducts its transmission business in the manner best calculated to secure that the licensee, any affiliate or related undertaking (that either intends to participate in a competitive tender exercise or has been granted an offshore transmission licence), any user of the national electricity transmission

system or any other transmission licensee; obtains no unfair commercial advantage from preferential or discriminatory arrangements.

The arrangements NGET has in place to secure compliance with Special Condition 2C are set out below:

- NGET is required to have in place and comply with a number of industry codes which set the framework to ensure all customers are treated on a fair and equal basis and that the licensee does not obtain an unfair commercial advantage in conducting its transmission business.
- The codes, in general, set out the detailed rules controlling commercial matters and treatment of information. They require that information NGET receives as part of the regulated business must be treated as confidential, and can only be used to enable NGET to perform its regulated activities.
- Employees of NGET who work with the codes are given training on their usage and guidance on the information sharing restrictions. Employees receive annual reminders of the compliance rules through general communications messages or targeted briefings.
- Where affiliates or related undertakings of NGET require services covered by the industry codes they are subject to the rules of the codes on the same basis as any other customer and no preferential or discriminatory arrangements apply. The consistent use of the codes secures that NGET does not provide an unfair commercial advantage to any affiliate or related undertaking in conducting its transmission business.

NGET ensures that where services are provided between businesses, they are negotiated and managed on an arms-length basis and normal commercial terms and subject to the Governance Policy for the Pricing of Intra Business and Third party Services as described in section 2.1.1. Separate lawyers are instructed to act for NGET and any affiliate business or related undertaking.

National Grid operates a number of Shared Business Services (Shared Services) which are available to all group companies and described in Appendix 1. The costs of Shared Services are allocated between the National Grid businesses that consume these services using a cost allocation methodology which includes a recovery of the direct costs of providing the Shared Business Services that are consumed plus a recovery of the appropriate proportion of overheads.

Arms length agreements are in place to cover the provision of Shared Services and these form the basis of the recovery of costs that will be applied in respect of such services.

The rules of client confidentiality are understood and applied within Shared Services and where appropriate, separate “business partners” are appointed.

2.2 In accordance with paragraphs 5 and 6 of Special Condition 20, NGET is and will continue to be a separate legal entity from the ROCB. At Appendix 2 is a company structure chart of National Grid which demonstrates that NGET and the ROCB are separate legal entities. No members of the board of NGET are members of the boards of the ROCB. No members of the boards of the ROCB are members of the board of NGET.

2.2.1 NGET does not hold directly or indirectly any shares or investments in the ROCB or any corporate entity which conducts ROCB, has control over any of the ROCB or any of the assets used in or dedicated to the ROCB and therefore does not have an entitlement to vote at the general meetings of any of the ROCB.

2.2.2 NGET ensures that there is no unfair commercial advantage given to the ROCB through governance arrangements and systems of control relating to appropriate:

- legal and managerial separation as set out in paragraphs 2.1, 2.2 and 2.3;
- physical separation as set out in paragraph 2.4; and
- information separation as set out in paragraph 2.5

2.3 NGET employees, (which in this section 2 includes directly employed agents, contractors and advisers) engaged in, or in respect of, the management or operation of NGET (up to and including the members of NGET’s board of directors) are not simultaneously engaged either full or part time in the management or operation of any ROCB or any corporate entity which conducts ROCB, other than in the provision of:

- Shared Services provided by NGET to its Associates as set out in Appendix 1
- Services which constitute de minimis business (as defined in Standard Condition B6 - Restriction on Activity and Financial Ring Fencing)

NGET will ensure that services it provides comply with the requirements of Standard Conditions B5 (Prohibition of Cross-Subsidies), B6 (Restriction on Activity and Financial Ring Fencing) and B9 (Indebtedness).

NGET will ensure that, except where the Authority consents or directs otherwise, employees engaged in, or engaged in respect of, the management or operation of RSPA are never simultaneously engaged in de minimis business.

The Compliance Officer will monitor compliance with these obligations and a summary of the services NGET provides to the ROCB which constitute de

minimis business will be included in the annual compliance report submitted pursuant to paragraph 27 of Special Condition 2O.

- 2.4 National Grid has in place access controls at all of its premises which permit access to those employees who normally work there. ROCB employees operate from separate premises to employees engaged in the management or operation of NGET.

Employees who visit premises which are not their normal place of work are treated as visitors in line with National Grid policy. NGET has ensured that a process is in place with National Grid's office facilities team which requires appropriate consideration to be given to NGET's business separation licence obligations prior to office space being re-allocated to National Grid's businesses.

- 2.5 In accordance with paragraph 10 of Special Condition 2O, NGET has put in place arrangements for the recording, processing and storage of data (including RSPI) which prevent access by persons engaged in the ROCB.

NGET has restricted access to computer systems to prevent the illegitimate sharing of Commercially Sensitive Information. Employees of the Relevant Other Competitive Businesses do not have access to NGET information systems or electronic filing systems. Access to these systems is actively managed and a periodic review of access rights is undertaken to ensure only appropriate access rights are retained.

NGET has a process in place to ensure that business separation requirements are captured at the point of information system design to ensure that relevant data/information is ring-fenced. This proactive step is designed to ensure that business separation issues are addressed at the point of system design. NGET also has PIN controlled printer access and adopts a clear desk policy. These arrangements are further described in sections 3, 4 and 5 below.

- 2.6 In accordance with paragraph 11 of Special Condition 2O, NGET has put in place a Code of Conduct to govern the disclosure and use of RSPI by persons carrying out RSPA.

The Code of Conduct applies to all NGET employees involved in carrying out RSPA within the System Operator Functions and prohibits those employees from taking any decisions or actions which are unduly influenced in favour of NGET's own businesses, any associate of NGET or any ROCB. It is also applicable to employees of NGET's other businesses, employees of NGET's Associates, and employees of the ROCB and prohibits them from soliciting actions, decisions or RSPI from those employees of NGET involved in carrying out RSPA within the System Operator Functions which would show undue discrimination or influence in their favour.

The Code of Conduct makes it clear that a breach of the Code of Conduct, whether deliberate or unintentional, must be reported to the Compliance



Officer for investigation and that a deliberate breach or failure to report an unintentional breach, by a National Grid employee, will be treated as a disciplinary matter in accordance with National Grid's HR policies. Accidental breach of the Code of Conduct would not generally be viewed as a disciplinary matter, except where the employee has not taken reasonable precautions to comply with the Code of Conduct.

The Code of Conduct will be communicated to employees through a series of targeted briefings and will be included in the induction processes for future new starters. To ensure awareness of the Code of Conduct is maintained, relevant employees will receive regular reminders. The Code of Conduct is attached as Appendix 5 to this Compliance Statement.

Compliance with the Code of Conduct is monitored as set out in section 5.6 (b)

### **3. Restrictions on the use of RSPI**

3.1 NGET has put arrangements in place to restrict the use of RSPI in accordance with the obligations set out in Part C of Special Condition 2O. Employees, agents, contractors and advisers will ensure that RSPI is not disclosed outside of the System Operator Functions, other than as provided for in the circumstances set out in paragraph 13 of Special Condition 2O, which are as follows:

- where NGET is specifically required to disclose RSPI as a condition of its Licence;
- as required under the System Operator – Transmission Owner Code (STC);
- to persons engaged in the provision of Shared Services, to the extent necessary to allow them to carry out their respective functions in support of RSPA;
- which is required by any requirement of law or regulation, or the rules of any governmental or regulatory authority having jurisdiction over NGET; and
- where NGET has obtained prior written consent for disclosure from the owner(s) of the RSPI, provided that the extent of the disclosure is consistent with the consent obtained.

3.2 The Single Appointed Director has put in place the following arrangements to secure compliance with the requirements of 2O, Part C.

**3.3 Responsible Manager** - The Electricity Network Development Manager will be the responsible manager for compliance with the restrictions on use of RSPI set out in section 3.1 above including the disclosure of RSPI as provided for under Special Condition 2O.13 and for ensuring that employees, agents, contractors and advisors engaged in the System Operator Functions comply

with the obligations under Part C of Special Condition 20. When they are absent, the Electricity Network Development Manager will nominate a deputy to carry out these duties.

### **3.4 Process for the receipt of RSPI**

NGET has established and will maintain document and information system security policies for the recording, processing and storage of RSPI. An IS system has been put in place and will be maintained, in order to process RSPI received from transmission owners (TOs), offshore developers, interconnector operators and once appointed, competitively appointed transmission owners (CATOs). This will be a secure, segregated, company specific system portal for each of the TOs, offshore developers, interconnector operators and CATOs for the recording, processing and storage of RSPI.

The IS system has been designed to enable each of the TOs, offshore developers, interconnector operators and CATOs to upload their RSPI and for those employees, agents, contractors and advisers who are engaged in System Operator Functions to be able to securely download this information. The IS system is designed to ensure that each respective TO, offshore developer, interconnector operator and CATO can only view their own RSPI data. Functionality has been put in place such that only members of the System Operator Functions will have access to the full RSPI data provided by each TO, offshore developer, interconnector operator and CATO. The Electricity Network Development Manager will be accountable and responsible for the IS system.

### **3.5 Process for the Storage and Control of RSPI**

Save where otherwise permitted by virtue of Special Condition 20.13, employees, agents, contractors and advisers whom are engaged in System Operator Functions, shall ensure that RSPI is not directly or indirectly disclosed to, solicited or used by any person who is not engaged in System Operator Functions (up to and including the members of NGET Board of Directors). RSPI will be held on a secure IS system portal and secure shared area and only members of the System Operator Functions will have access.

The System Operator Functions have a data controls process in place to ensure RSPI is encrypted and validated before it is shared with each of the respective TOs, offshore developers, interconnector operators and CATOs. The Electricity Network Development Manager will also be responsible for the security of the IS system and for periodically testing and checking that the access rights to the IS system are correctly set. Information will be classified and retained in accordance with National Grid's Information and Records Management Policy.

In the event that RSPI needs to be configured outside of the IS system portal, for ad-hoc reports or data requests, it will be stored on a secure and separate shared area which is only accessible by System Operator Functions personnel involved in RSPA.

In the event that RSPI needs to be communicated outside the System Operator Functions in accordance with the Licence, and in the circumstances set out in paragraph 13 of Special Condition 20, the System Operator Functions will apply a range of measures to ensure the security of the information. These measures may include the use of password protection, encrypted email, secure distribution lists or email tools which prevent the release of certain types of data. The choice of which measure to use will be made by the Electricity Network Development Manager at the point of communication and will be based on an assessment of the risk (likelihood and impact) associated with the release of the data.

Shared Services personnel and other employees who may need to have access to RSPI in order to carry out their support functions in support of RSPA will be made aware of the importance of the information.

Shared Services personnel, external contractors, agents and advisers who may need access to RSPI will be required by the terms of their engagement with NGET to maintain the confidentiality of such information, only to use such information for the purposes of enabling NGET to perform its specified duties and not to disclose such information outside of the System Operator Functions without prior authorisation of NGET.

**3.6 Policy on transfer of employees** – The Electricity Network Development Manager will be responsible for ensuring that employee transfers out of the System Operator Functions, for those personnel who have been involved in RSPA are referred to the Compliance Officer so as to provide an independent check of the compliance controls.

Where employees move into the System Operator Functions, the Electricity Network Development Manager will make checks with the line manager to ensure the employee has received a briefing on the RSPA Code of Conduct and been trained on the processes in place to protect RSPI. The Electricity Network Development Manager will confirm to the Compliance Officer that these checks have taken place.

Where employees are moving out of the System Operator Functions, the Compliance Officer will make checks to ensure cooling off periods are applied to prevent members of System Operator Functions who have been involved in RSPA transferring directly to a ROCB. The Compliance Officer will also make checks against System Operator personnel who have been involved in RSPA moving to other parts of National Grid, for example to NGET TO. The Compliance Officer will provide advice as to any special measures and which should be applied on a case by case basis and in consideration of specific circumstances.

Prior to the transfer out of System Operator Functions, the Compliance Officer will ensure that the employee receives an exit briefing to remind them of their obligations under the terms of the Compliance Statement, Code of Conduct and their contract of employment. The Compliance Officer will require positive

confirmation that access to systems containing RSPI has been removed. The Electricity Network Development Manager will be responsible for advising the Compliance Officer of moves in and out of the System Operator Functions, ensuring access is removed and records are kept.

#### **4. Compliance Statement and Compliance Documents**

- 4.1 This Compliance Statement has been put in place in order to set out the arrangements which NGET will adopt to secure compliance with the specified duties in accordance with Special Condition 2O.

In order to secure compliance with the requirements of Part C of Special Condition 2O, NGET has put in place a Code of Conduct (attached as Appendix 5 and described in section 2.6) and a programme to ensure training and awareness (described in section 5). The Code of Conduct and training material make it clear that a deliberate breach would be treated as a disciplinary matter in accordance with National Grid HR policy.

NGET has put in place systems of control to protect RSPI and processes for recording, processing and storage of RSPI to ensure that (unless specifically otherwise permitted under the Licence or other law) RSPI can only be accessed by persons engaged in System Operator Functions. These controls are set out in sections 3, 4 and 5.

The systems in place to manage RSPI have been set up in compliance with National Grid's Information and Security Standards and documents will be maintained and classified in accordance with National Grid's Information and Records Management Policy.

- 4.2 NGET will at least every 12 months, or at such other interval as the Authority may direct, review the descriptions set out in this Compliance Statement. Where the descriptions in this Compliance Statement continue to be complete and accurate in all material respects, NGET will confirm this to the Authority in its annual report to be submitted pursuant to paragraph 27 of Special Condition 2O. Where the descriptions set out in this Compliance Statement are not complete and accurate in all material respects, NGET will revise the Compliance Statement accordingly, and will submit it to the Authority for approval as an appendix to the Annual Compliance Report, or as may be required.
- 4.3 NGET will make a copy of the approved Compliance Statement publically available on the National Grid plc website.

#### **5. Appointment of a Compliance Officer and compliance reporting**

- 5.1 In accordance with paragraph 20 of Special Condition 2O, NGET has appointed a Compliance Officer to facilitate compliance with the specified duties and to perform inter alia all the duties as set out in paragraph 26 of Special Condition 2O.

The Compliance Officer is also appointed as:

- Compliance Officer under Special Condition 2H of the NGET Licence;
- EMR Compliance Officer under Special Condition 2N of the NGET Licence;
- BSCO under Special Condition 10C of the NTS Licence and 4F of the RDN Licence; and
- Compliance Officer under Standard Special Condition A34 of the NTS and RDN Licences.

5.2 In accordance with paragraph 21 of Special Condition 2O, NGET has appointed a Single Appointed Director for the purpose of ensuring the performance of, and overseeing the duties and tasks of the Compliance Officer and NGET's compliance with its specified duties. The Single Appointed Director shall report to the board of directors of NGET in relation to the obligations set out in Special Condition 2O.

5.3 In accordance with paragraph 23 of Special Condition 2O, NGET shall ensure that the Compliance Officer is provided with sufficient resources and access to premises, systems, information and documentation in order to fulfil the duties and tasks assigned under this condition.

5.4 In accordance with paragraph 24 of Special Condition 2O, the Compliance Officer is not engaged in the management or operation of the Transmission Business, any associate, any other business of NGET or any Relevant Other Competitive Business. The independence of the Compliance Officer is secured through:

- a reporting line to the UK General Counsel and Company Secretary;
- a separate reporting line to the Compliance Committee; and
- a strong stewardship link to the NGET Board of Directors.

NGET has established a compliance committee, to which the Compliance Officer shall report twice yearly. The Compliance Committee reports to the NGET Board of Directors and includes among its members the Single Appointed Director, the Sufficiently Independent Directors and the director responsible for management of regulatory issues. A chart showing National Grid's Governance Structure with the Compliance Committee is included in Appendix 3 of this statement.

5.5 NGET has appropriate processes in place and will ensure relevant teams are briefed so that relevant complaints or representations are reported to the Compliance Officer for investigation.

## 5.6 Duties & Tasks of the Compliance Officer

The Compliance Officer will undertake the duties and tasks set out in paragraph 20.26 and will seek to secure a culture of compliance within NGET through the following activities:

**(a) Information, Advice and Training** - The Compliance Officer will continue to provide advice to employees, (which in this paragraph includes directly employed agents, contractors and advisers), managers and Directors of NGET to ensure compliance with the specified duties.

- The personnel involved in System Operator Functions within NGET who need to be aware will receive a targeted briefing from the Compliance Officer's team to ensure they are fully aware of the restrictions on sharing RSPI and how it relates to them. Employees from the ROCB will receive a briefing so that they are aware of the restrictions and do not seek to obtain any unfair advantage.
- Employees in the System Operator Functions will receive regular reminders from their responsible managers during the year to ensure a high level of awareness is maintained.
- To ensure wider awareness across the National Grid UK business, general communications will be made using National Grid's usual employee communication channels, which include bulletins and provision of material for discussion at team meetings.
- A network of licence advisers are in place who promote awareness of licence obligations, engender a culture of compliance and facilitate compliance monitoring within their area of the business. Licence Advisers within NGET have been briefed on RSPA licence obligations. The Compliance Officer maintains regular contact with the Licence Advisers and workshops are held periodically to ensure consistent interpretation of information sharing restrictions and to identify compliance best practice.
- The Compliance Officer's intranet website has a comprehensive range of compliance educational material, full copies of the licence and codes of conduct. The RSPA Code of Conduct will be made available to NGET employees via this intranet site.
- The principles of information sharing restrictions are further reinforced through an e-learning module. Employees who have access to commercially sensitive information or who are involved in the pricing,

negotiation or delivery of contracts are required to recomplete the e-learning training every two years.

**(b) Monitoring** - The Compliance Officer will undertake monitoring during the period to assess the effectiveness of practices, procedures and systems adopted to secure compliance with the specified duties.

- The Compliance Officer has ensured that relevant Licence Advisers have been briefed on the practices, procedures and systems which have been put in place to secure compliance with the specified duties. The Licence Advisers will be required to build these controls into their business separation frameworks.
- As part of the monitoring process, the Licence Advisers will assess risks and review and test the effectiveness of the controls in place. The Licence Advisers will submit their report as to the effectiveness of the controls in place, approved by their director to the Compliance Officer.
- The monitoring is backed up by the Compliance Officer's team holding challenge and review meetings with the Licence Advisers during the year.
- As part of the monitoring the Compliance Officer will liaise with the risk, compliance and audit teams to understand whether any key risks/issues have been identified through their processes.

The Compliance Officer will continue to advise whether to the extent the implementation of such practices, procedures and systems require the co-operation of any other person they are designed so as reasonably to secure the required co-operation.

The Compliance Officer will investigate any complaint made available in accordance with paragraph 20.26 (d) and will recommend and advise upon the remedial action which any such investigation has demonstrated to be necessary or desirable.

The Compliance Officer will report annually to the Single Appointed Director as to their activities in respect of the specified duties during the period covered by the report.

5.7 In accordance with paragraph 27 of Special Condition 20, NGET will prepare an annual report in a form approved by the Authority, as to its compliance with the specified duties and its implementation of the practices, procedures and systems set out in the Compliance Statement.

In accordance with paragraph 20.28, the report will detail the activities of the Compliance Officer during the reporting period, refer to any matters appropriate to the implementation of the practices, procedures and systems described in the Compliance Statement, set out the details of any investigations conducted by the Compliance Officer and will be accompanied by a compliance certificate approved by a resolution of the board of directors and signed by the Single Appointed Director.

NGET will submit the annual compliance report and certificate to the Authority and will publish it on its web site as soon as reasonably practicable following its approval by a resolution of the board of directors.

## **6. Further information**

Requests for further information about this statement should be addressed for the attention of the Compliance Officer at:

National Grid Electricity Transmission plc  
Legal Department  
National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

30<sup>th</sup> September 2016

### **Appendices**

Appendix 1 – Shared Service Functions

Appendix 2 – Company Structure Chart

Appendix 3 – National Grid's Governance structure including the Compliance Committee

Appendix 4 – Structure chart showing the System Operator Functions within the National Grid Electricity Transmission business

Appendix 5 – RSPA Code of Conduct



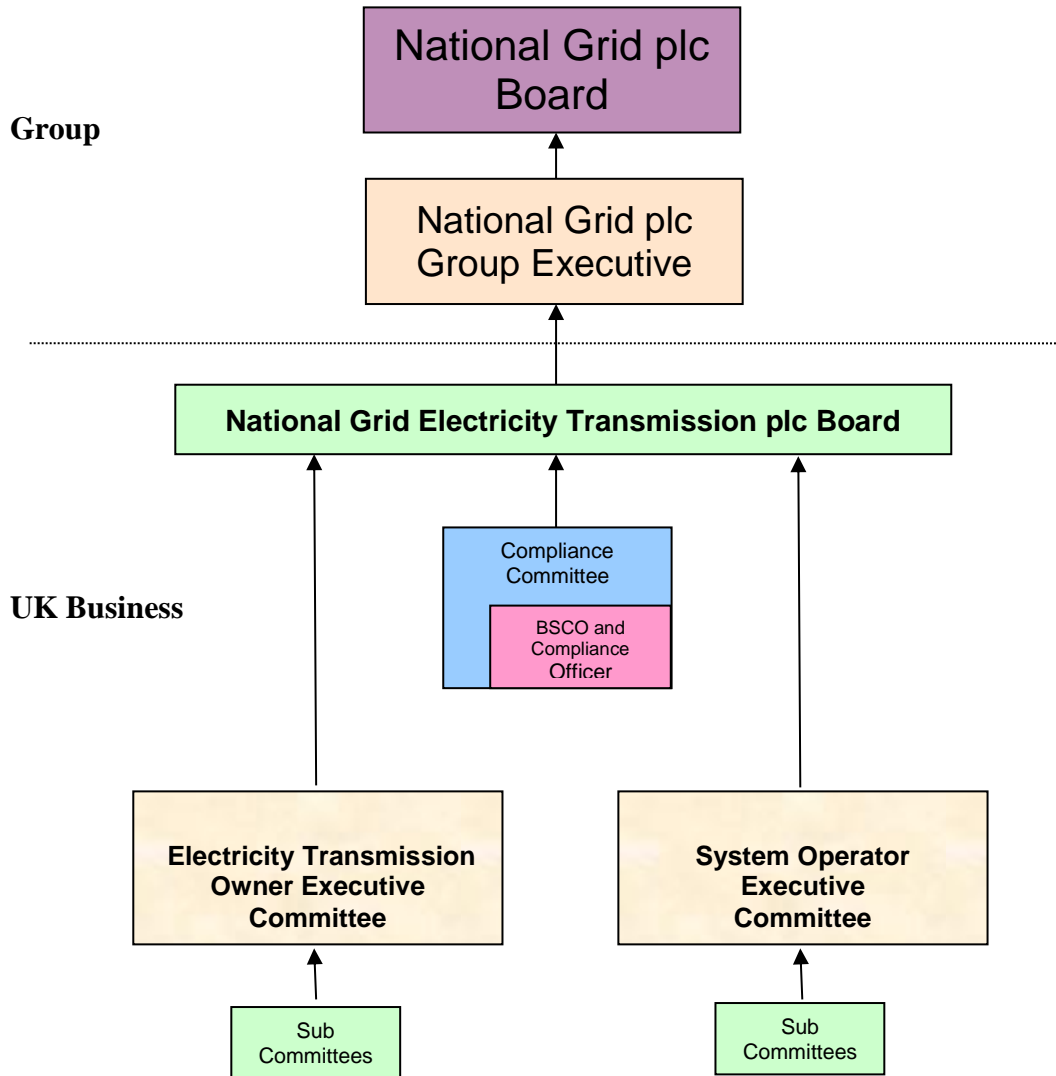
## **Appendix 1 – Shared Service Functions**

- Finance
- Human Resources
- Business Development
- Legal
- IS
- Regulation & Government Affairs
- Procurement & Logistics
- Planning and Environment
- Public Relations
- Health & Safety
- Audit
- Insurance
- Tax
- Property Management
- Transactional Finance
- Transactional Human Resources
- Facilities Management
- Services provided by Construction

RSPI may only be shared with employees from the above Shared Services functions to the extent that they need the specific information to carry out their role in supporting the Relevant System Planning Activities.

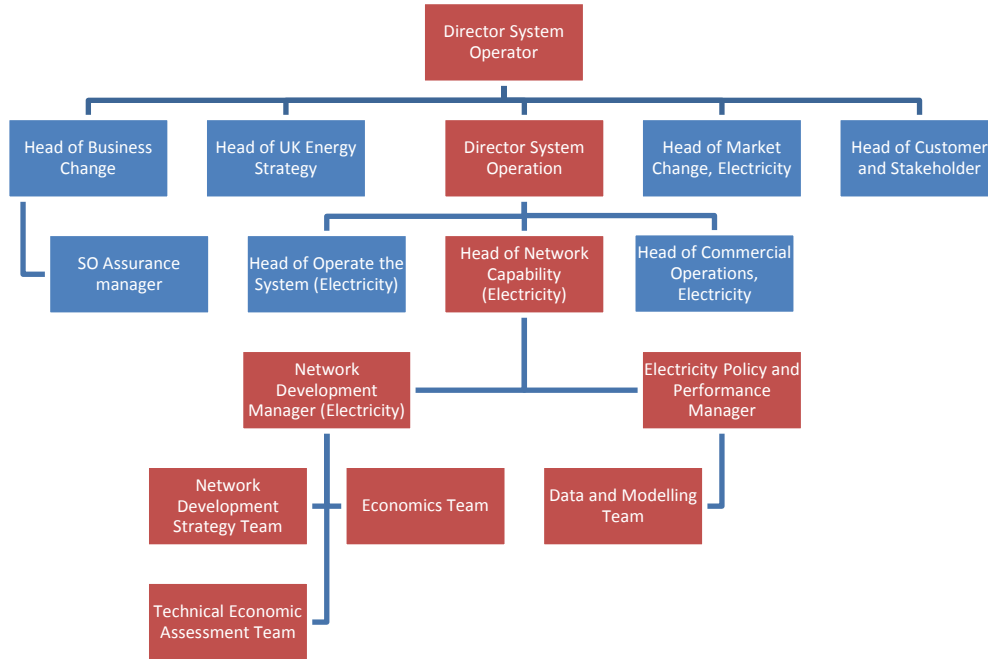


### Appendix 3 – National Grid’s Governance Structure including the Compliance Committee



## Appendix 4

### Structure chart showing the System Operator Functions within the National Grid Electricity Transmission business



## Appendix 5 – RSPA Code of Conduct

### Code of Conduct

#### In respect of Relevant System Planning Activities (RSPA) including the use and disclosure of Relevant System Planning Information (RSPI)

#### Purpose & Scope

Through the role of Electricity System Operator, National Grid Electricity Transmission (NGET) receives highly sensitive, confidential information from third parties which is known as **Relevant System Planning Information (RSPI)**. RSPI is any information NGET has received solely through performing the Relevant System Planning Activities in relation to undertaking the following activities:

- The Network Options Assessment (NOA) process)
- Applications to the Network Electricity Transmission System (NETS) from transmission owners (TOs), offshore developers, interconnector operators (and in the future from competitively appointed transmission owners (CATOs))
- Electricity Ten Year Statement (ETYS) production, relating to information on reinforcement options, Future Energy Scenarios (FES), assumptions on interconnector capacity at GB and European level
- References to the Charging Methodology, as set out within the CUSC and STC

These activities are noted within the following NGET Licence Conditions:

- a) standard condition C27 (The Network Options Assessment process and reporting requirements);
- b) paragraph 4(c) of standard condition C6 (*included here for completeness and to reflect the licence but N/A as a RSPA as C6 4(c) has not yet been amended*)
- c) paragraphs 3(c), where relevant to Developer-Associated Offshore Wider Works, 5A and 9A of standard condition C8 (Requirement to offer terms);
- d) standard condition C25 (Provision of information and assistance to the Authority in relation to applications requiring the appointment of an offshore transmission owner), where relevant to Developer-Associated Offshore Wider Works; and
- e) paragraphs 1(bb), 3(e) and 13(aa) of standard condition C11 (Production of information about the national electricity transmission system)

The NGET licence Special Condition 20 contains specific obligations which require the implementation of robust controls in order to protect the confidentiality of RSPI.

**This Code sets out the rules which govern the disclosure of RSPI. These rules apply to RSPI which:**

- is **not** in the public domain
- NGET does **not** receive through the normal course of its activities (i.e., through CUSC, BSC (Balancing & Settlement Code), Grid Code, STC (SO TO Code), framework agreements and Connection Applications.

In particular, this Code is designed to mitigate the risk of an unfair commercial advantage arising through:

- Illegitimate sharing of RSPI with National Grid's businesses operating in Interconnectors, Offshore or Carbon Capture & Storage
- Ineffective systems for the receipt, storage, classification and processing of RSPI
- Use of RSPI for unauthorised purposes.

**The Code applies to all electricity transmission employees, (which include directly employed agents, contractors and advisers) who are involved in performing the System Operator Functions and who require access to or disclosure of RSPI in order to perform those functions. It also applies to Shared Services employees who require access to or disclosure of RSPI in order to perform their Shared Services function in support of RSPA.**

**All other UK National Grid employees should be aware of the Code and that they must not seek to obtain an unfair advantage by soliciting RSPI from an NGET employee.**

### What are the consequences of breaching this Code of Conduct?

Failure to comply could result in serious consequences for National Grid, including:

- Financial Penalty
- Criminal Prosecution
- Liability payments to a third party for breach of contract
- Investigations and other enforcement action by Ofgem
- Additional and more onerous licence conditions and
- Serious damage to the company's reputation

An intentional breach of the Code of Conduct by an employee (or failure to report an unintentional breach) will be treated as a disciplinary matter and may result in dismissal. Accidental breach of the Code of Conduct would not generally be viewed as a disciplinary matter, except where the employee has not taken reasonable precautions to comply with this Code of Conduct.

**Employees can ask their line manager for guidance in the first instance or contact a member of the Ethics & Compliance Team.**

### What are the rules I need to comply with?

The following Rules apply to:

#### **NGET Employees Working on the System Operator Functions**

NGET employees who are involved in carrying out the System Operator Functions must not take any decisions or actions which are unduly influenced in favour of any of NGET's own businesses (including, for the avoidance of doubt the NGET TO and any other National Grid company, in particular those involved in Offshore Carbon Capture and Storage or Interconnector activities).

#### **NGET Employees working on RSPA**

- **DO NOT** share RSPI within NGET outside System Operator Functions except in accordance with defined procedures for sharing with shared services personnel
- **DO NOT** share RSPI externally outside the System Operator Functions except in accordance with defined procedures for sharing where the sharing of this information is permitted and specifically required under

Special Condition 20.13.

- **DO** ensure you are aware and comply with document and information system security policies for the secure receipt, storage, classification and sharing of RSPI.
- **DO** ensure that you are aware of the National Grid Employee Code of Conduct and the terms of this Code of Conduct for the management and use of RSPI
- **DO** ensure you are aware and comply with the policy for transfer of employees who are involved in RSPA into or out of the System Operator Functions

### All other National Grid Employees:

- **DO NOT** try to obtain an unfair advantage by encouraging an employee of NGET who is involved in RSPA to share RSPI
- **DO NOTIFY** the Ethics & Compliance Manager or Licence Operations Manager immediately if you receive or have access to RSPI and this has not been pre authorised

### What should I do if I discover a breach?

A non-compliance, whether deliberate or unintentional, should be immediately reported to the Ethics & Compliance Manager, Dianne Burke: Tel: 01926 656653 / Mobile: 07785 290158 or Phil Balfe, Licence Operations Manager, 07896 599196 if Dianne cannot be contacted for any reason.

Non-compliances can also be reported anonymously through the Business Conduct Helpline on 0800 328 7212.

If you need further guidance, in the first instance speak to your line manager or to a member of the SO Assurance Team or to a member of the Ethics & Compliance Team.

Version	Date	Description	Document Owner
1.0	December 2015	Draft Relevant System Planning Activities Code of Conduct	Ethics & Compliance
2.0	February 2016	Code updated to reflect the Code applies to directly employed agents, contractors and advisers	Ethics & Compliance