



# WODS TRANSMISSION PLC

20 August 2015

Separation and Independence of the  
Transmission Business Compliance  
Statement

Prepared pursuant to Amended Standard Condition E12-C2 (Separation and Independence of the Transmission Business) of the Offshore Electricity Transmission Licence as granted to WoDS Transmission plc (registered in England with number 9309507) whose registered office is: The American Barns, Banbury Road, Lighthorne, Warwickshire, CV35 0AE under section 6(1)(b) of the Electricity Act 1989.

## SEPARATION AND INDEPENDENCE OF THE TRANSMISSION BUSINESS COMPLIANCE STATEMENT

### 1. Introduction

1.1 This Separation and Independence of the Transmission Business Statement of Compliance (the “**Statement**”) has been prepared to secure compliance with paragraphs 1, 2, 4, 5 and 6 of Amended Standard Condition E12-C2 of the Offshore Electricity Transmission Licence (the “**Licence**”) held by WoDS Transmission plc (“**WoDST**”) - the “Licensee” or “the Company”.

1.2 It is a requirement under the Licence for the Licensee to have in place this Statement (as approved by the Gas and Electricity Markets Authority (the “**Authority**”)) within 30 days of the Licence grant (or as otherwise directed by the Authority); and to maintain at all times the required systems of control and governance that are described in this Statement.

### 2. Purpose and changes to the Statement

2.1 The purpose of this Statement is to describe the practices, procedures and systems which WoDST has adopted to secure compliance with its obligations under the following conditions of the Licence:

- a) Standard Condition E6 (Prohibition of Cross-subsidies);
- b) Standard Condition E7 (Restriction on Activity and Financial Ring Fencing);
- c) Amended Standard Condition E12–C1 (Conduct of the Transmission Business); and
- d) Amended Standard Condition E12–C2 (Separation and Independence of the Transmission Business).

2.2 The Licensee is required to revise this Statement when circumstances change such that this Statement no longer secures compliance with Standard Condition E6 (Prohibition of Cross-subsidies); Standard Condition E7 (Restriction on Activity and Financial Ring Fencing); Amended Standard Condition E12–C1 (Conduct of the Transmission Business); and Amended Standard Condition E12–C2 (Separation and Independence of the Transmission Business).

2.3 Any revisions to this Statement shall only become effective once the Authority has approved the revised Statement and once approved this Statement may only be revised with the approval of the Authority.

2.4 This Statement sets out how WoDST shall:

- a) Maintain appropriate managerial and operational independence of the Licensee in undertaking its activities under the Licence, from any associated business as required by Amended Standard Condition E12–C2 paragraph 4(a).
- b) Ensure that the transmission business shall not give any cross-subsidy to, or receive any cross-subsidy from, any other business of the Licensee or of an affiliate or related undertaking of the Licensee as required by Standard Condition E6.
- c) Not conduct any business or carry on any activity other than the transmission business, save as provided for by paragraphs 3 and 4 of Standard Condition E7.

- d) Conduct its transmission business in the manner best suited to secure that, in complying with its obligations under the Licence:
- the Licensee;
  - any affiliate or related undertaking of the Licensee;
  - any user of the national electricity transmission system; and
  - any other transmission licensee;

obtains no unfair commercial advantage including, in particular, any such advantage from a preferential or discriminatory arrangement, being, in the case of such an advantage accruing to the Licensee, one in connection with a business other than its transmission business as required under Amended Standard Condition E12–C1 paragraph 1.

- e) As required under Amended Standard Condition E12–C1 paragraph 2, except insofar as the Authority may direct, secure and procure separate premises, equipment, systems for recording and storing data, facilities, staff, and property from:

- those owned by the transmission licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system; and
- those owned by any associated business of the Licensee that is authorised to generate or supply electricity.

- f) As required under Amended Standard Condition E12-C2 paragraph 4(b) except insofar as the Authority consents to the Licensee not doing so, ensure:

- i) a transmission licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system; and
- ii) any associated business of the Licensee that is to generate or supply electricity,

may not use or have access to:

- premises or parts of premises occupied by persons engaged in, or engaged in respect of, the management or operation of the transmission business or any external transmission activities;
- systems for the recording, processing or storage of data to which persons engaged in, or engaged in respect of, the management or operation of the transmission business or any external transmission activities also have access;
- equipment, facilities or property employed for the management or operation of the transmission business or any external transmission activities; or
- the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the transmission business or any external transmission activities; and

iii) it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the transmission business from being engaged in, or in respect of, the activities of any associated business of the Licensee until the expiry of an appropriate time from the date on which he ceased to be engaged by the transmission business, where that associated business is either:

- a transmission licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system; or
- authorised to generate or supply electricity.

g) Put in place and at all times maintain such systems of control and other governance arrangements which are necessary to ensure that the Licensee complies with its obligations contained in Standard Condition E6, Standard Condition E7, Amended Standard Condition E12-C1 and Amended Standard Condition E12-C2.

### 3. Group Structure

3.1 WoDST is a wholly owned subsidiary of WoDS Transmission Holdco Ltd (“WoDSH”) which itself is a wholly owned subsidiary of WoDS Transmission Topco Ltd (“WoDSI”). These companies comprise the **WoDSI Group**. WoDST was incorporated on 13 November 2014. WoDST commenced trading on 20 August 2015 (the “**Financial Close**”) being the day after WoDST was granted an offshore transmission licence to own and operate the West of Duddon Sands offshore electricity transmission system.

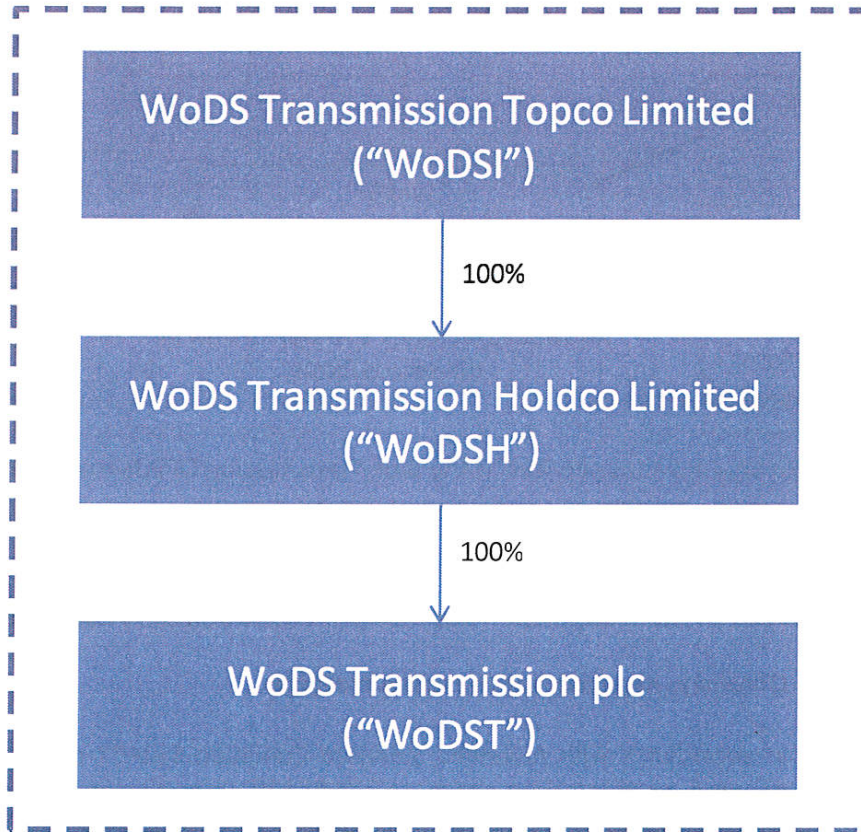
3.2 WoDSI is jointly owned in equal proportions by a consortium of independent investors being 3i Infrastructure plc, which is ultimately controlled by 3i Group plc and Macquarie Corporate Holdings Pty Limited (“**MCHL**”) which is ultimately controlled by Macquarie Group Limited. On Financial Close, WoDST will be controlled by 3i Infrastructure plc only (and ultimately 3i Group plc). Pursuant to the subscription and shareholders agreement dated 20 August 2015 (“**SSA**”), on Financial Close, MCHL will be a Restricted Investor as defined in the SSA. A Restricted Investor will not be entitled to appoint any directors to the board of WoDST, WoDSH or WoDSI. A Restricted Investor shall have the right to appoint an observer to the board of each of WoDSH and WoDSI and two observers to the board of WoDST, with the right to receive board papers and to attend and speak at board meetings, but with no right to vote or be counted in the quorum for any such meeting. A Restricted Investor will not have the ability to veto any reserved matters which confer the possibility of exercising decisive influence over WoDST. Under the terms of the side letter dated 23 December 2014, MCHL will inform Ofgem if it ceases to be a Restricted Investor. In compliance with Condition B21 of the Licence, WoDST will notify the authority if it becomes aware of MCHL ceasing to be a Restricted Investor.

3.3 3i Group plc is also an ultimate joint controller, together with Mitsubishi Corporation, of Blue Transmission Walney 1 Limited (“**BTW1**”), Blue Transmission Walney 2 Limited (“**BTW2**”), Blue Transmission Sheringham Shoal Limited (“**BTSS**”) and Blue Transmission

London Array Limited (“**BTLA**”). BTW1, BTW2, BTSS and BTLA (together the “**Blue Transmission OFTOs**”) have all been issued offshore transmission licences to operate offshore transmission systems. The WoDSI Group operates independently of the Blue Transmission OFTOs.

3.4 WoDSI has no other interests in any companies except as described above.

3.5 On the date of Financial Close , the WoDSI Group structure was as follows:



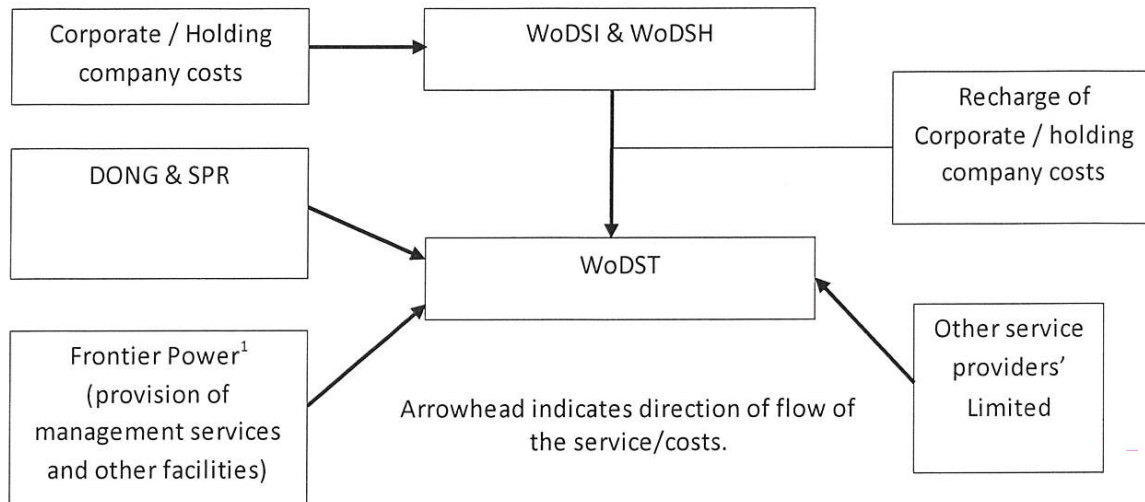
#### 4. Operating Model

4.1 WoDST primarily operates and maintains its offshore electricity transmission system through a series of bilateral contractual arrangements with independent third parties. WoDSI and WoDSH primarily act as holding companies and the directors expect them to continue in this manner for the foreseeable future. If at some point in the future WoDSI acquires an interest in another OFTO, whether directly or indirectly, then the operating model may change. To the extent that such a change in operating model requires the Statement to be amended then a revised statement will be submitted to Ofgem for approval where such a change would impact on the Company’s compliance with the conditions of the Licence as explained in paragraph 2.2 above.

4.2 Consistent with the operating model described in paragraph 4.1 above, the management of the operations of WoDST has been outsourced to an independent third party, Frontier Power Limited (“**Frontier Power**”), a specialist in the provision of asset management services to the energy sector. Frontier Power has contracted with WoDST to provide management and other resources and services to that company. Frontier Power is not affiliated in any way to the WoDSI Group.

4.3 The providers of operating and maintenance (“O&M”) services to maintain and operate the transmission assets of WoDST are DONG Energy West of Duddon Sands (UK) Limited (“DONG”) and ScottishPower Renewables (WODS) Limited (“SPR”).

4.4 A simple diagrammatical representation of the operating model is shown below:



<sup>1</sup> Frontier Power also provides services to the Blue Transmission OFTOs that are not part of the WoDSI Group and are not affiliated to Frontier Power in any way.

## 5. Conduct of the Transmission Business (Amended Standard Condition E12-C1)

### 5.1 *Obtaining no unfair commercial advantage*

5.1.1 In accordance with Amended Standard Condition E12–C1 paragraph 1, WoDST is required, as referenced above, to conduct its transmission business in the manner best calculated to secure that, in complying with its obligations under the Licence:

- a. the Licensee;
- b. any affiliate or related undertaking of the Licensee;
- c. any user of the national electricity transmission system; and
- d. any other transmission licensee;

obtain no unfair commercial advantage including, in particular, any such advantage from a preferential or discriminatory arrangement, being, in the case of such an advantage accruing to the Licensee, one in connection with a business other than its transmission business.

5.1.2 The WoDSI Group has no employees and currently there is no intention for any company in the WoDSI Group to employ staff. However, WoDST has put in place a Code of Conduct that would apply to any employees of WoDST or its affiliates and related undertakings involved in any activities in relation to any wholly owned subsidiaries of its ultimate parent undertaking (WoDSI). In addition, the Code of Conduct also applies to the employees and consultants of Frontier Power (provider of management services to WoDST – see paragraph 4.2 above).

- 5.1.3 The Code of Conduct explains and requires those subject to the Code of Conduct to carry out their duties, tasks and other activities in such a manner as to secure compliance with certain obligations under the Licence and in particular, compliance with Amended Standard Condition E12-C1 as to the conduct of the transmission business.
- 5.1.4 WoDST has in place certain procurement procedures to ensure that the Licensee procures goods and services in an efficient and cost effective manner. Authorisation for procurement events take place at different value levels and are designed to prevent unauthorised, non-compliant behaviour. The procurement process is administered by Frontier Power. Material contracts require WoDST board approval.
- 5.1.5 Management services are provided to WoDST by Frontier Power which is an independent management services company as explained in paragraph 4.2 above. Fees in respect of such management services are negotiated at arms-length and on normal commercial terms.
- 5.1.6 The WoDST directors are required to declare any potentially conflicting interest at each board meeting and understand their fiduciary duties to the Company/ Licensee under both company law and the Licence. The WoDST directors understand that their fiduciary duty to WoDST, as Licensee, is distinct from that of any other company including those that hold a transmission licence (including any entities that are affiliates). Decisions taken by the WoDST board have regard to these fiduciary duties.
- 5.1.7 WoDST directors receive such training and support as required to ensure that they understand their obligations to the Company - see paragraph 6.1.5 below.
- 5.1.8 The WoDST board, its compliance committee and Compliance Officer monitor compliance with Amended Standard Condition E12-C1.

**5.2 *Premises, equipment, systems for recording and storing data, facilities, staff and property***

- 5.2.1 In accordance with Amended Standard Condition E12-C1 paragraph 2, WoDST, is required, except insofar as the Authority may direct, to secure and procure separate premises, equipment, systems for recording and storing data, facilities, staff, and property from:
- a. Those owned by a transmission licensee that, being a holder of a co-ordination licence, is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system; and
  - b. Those owned by any associated business of the Licensee that is authorised to generate or supply electricity.

5.2.2 WoDST does not and does not intend to share any resources with any transmission licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system. WoDST owns, rents, or otherwise has access to premises, equipment, and systems for recording and storing data, facilities and staff independent of such a licensee. Similarly, WoDST does not share such resources with any business that would fall within the definition of an “...associated business of the Licensee that is authorised to generate or supply electricity” as no such associated businesses exist. Consequently, WoDST is fully compliant with Amended Standard Condition E12–C1 paragraph 2 as the circumstances that this condition addresses are not relevant to the Company.

5.2.3 The WoDST directors will monitor compliance with the obligations of Amended Standard Condition E12–C1 paragraph 2 in the light of any change in circumstances.

## **6. Separation and Independence of the Transmission Business (Amended Standard Condition E12-C2)**

### ***6.1 Managerial and operational independence of the Licensee***

6.1.2 In order to maintain the requisite managerial and operational independence of the Licensee, WoDST and its direct and indirect parent undertakings have all been established as legally separate companies, each with their own separate board of directors.

6.1.3 No affiliate or related undertaking of WoDST is authorised to generate, distribute or supply electricity, or to provide meter reading or meter-related services.

6.1.4 Amended Standard Condition E12–C2 (paragraphs 5 and 6) imposes the following obligations on the Licensee:

- a. The Licensee is required to establish separate boards of directors for the transmission business and for any associated businesses; and
- b. Each member of such boards of directors or executives for associated businesses who is also a director of the offshore transmission business shall fulfil their role in relation to the taking of such decisions as if he or she were a director of a legally incorporated company whose sole business is the business in respect of which the board he or she is a member of has been established.



6.1.5 Responsive to the obligations imposed on the Licensee under Amended Standard Condition E12–C2 (paragraphs 5 and 6), and responsive to other obligations contained within the Licence including, but not limited to the appointment of a Compliance Officer in accordance with Amended Standard Condition E12-C4, the following arrangements have been put in place:

- a. Separate boards of directors for each company in the WoDSI Group have been established, the appointment of an independent Compliance Officer for WoDST (being the Licensee) together with the establishment of a compliance committee for the Licensee, is designed to ensure that there is appropriate corporate governance and independence of each company within the WoDSI Group.
- b. The directors of each company within the WoDSI Group are required at all times to act in accordance with their fiduciary duties to that company in accordance with the requirements of company law and, in the case of WoDST, its offshore transmission licence. This means that they must discharge their duties and take all decisions as a member of the board of that company in the best interests of the business (the transmission business in the case of WoDST) of that company and without regard to the interests of any other company or business.
- c. The directors of each company within the WoDSI Group have and will continue to receive support and any training as required to ensure that they understand their obligations to the company upon whose board they serve and in particular, in relation to WoDST, being the transmission licence holder, the relevant licence obligations with which they have to comply. In particular, the importance of business separation has been explained and reinforced to the directors of each company within the WoDSI Group and they have and will continue to be provided with regular reports on compliance. Discussions have been held and will continue to be held with the WoDST directors regarding the importance of compliance with the obligations of the Licence generally and in respect of business separation in particular – both with the management and the independent Compliance Officer.

## ***6.2 Staff, premises, IT and other facilities***

6.2.1 As referenced under paragraph 2.4 f) above the Licensee is not permitted to share certain resources with particular entities unless the Licensee has been allowed to do so by the Authority. The entities that are not permitted to share or use certain resources (except where permitted to do so by the Authority) are as follows:

- a. A transmission licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system; and
- b. Any associated business of the Licensee that is to generate or supply electricity.

- 6.2.2 The WoDSI Group does not share any resources with any entity (including associated businesses) that meets the operating characteristics described in paragraph 6.2.1 above. Furthermore, based on the current plans of the Company and the WoDSI Group, the WoDST directors do not expect this situation to change. Consequently the Licensee is compliant with the conditions of Amended Standard Condition E12–C2 paragraph 4(b) (i) and (ii).
- 6.2.3 The directors will monitor the future activities and plans of the WoDSI Group to ensure that it remains compliant with the conditions of Amended Standard Condition E12–C2 paragraph 4(b) (i) and (ii).
- 6.2.4 Amended Standard Condition E12–C2 paragraph 4 (b) (iii) requires the Licensee to ensure that it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the transmission business from being engaged in, or in respect of, the activities of any associated business of the Licensee until the expiry of an appropriate time from the date on which he ceased to be engaged by the transmission business, where that associated business is either:
- a. A transmission licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system; or
  - b. Authorised to generate or supply electricity.
- 6.2.5 The Licensee or ultimate controllers of the Licensee have no associated businesses that meet the characteristics of the businesses described in paragraph 6.2.4 above and therefore the conditions envisaged by Amended Standard Condition E12– 2 paragraph 4 (b) (iii) currently do not apply. For the same reasons outlined in paragraph 6.2.2 the Licensee is and expects to remain fully compliant with the conditions of Amended Standard Condition E12–C2 paragraph 4(b) (iii) as there are no plans for such associated businesses to operate in the foreseeable future. However, the WoDST directors will monitor future activities, plans and make suitable enquiries to ensure that it remains compliant with the conditions of Amended Standard Condition E12–C2 paragraph 4(b)(iii).
- 6.2.6 WoDSI and WoDSH have their own board of directors, and as previously explained earlier in this Statement, are expected to primarily act as holding companies. WoDST also has a separate board of directors and has contracted with third parties to provide services and other resources, as necessary, to allow WoDST to operate and discharge its obligations whether contractual or those required by the licence. WoDSI has entered into a Management Services Agreement (“MSA”) with Frontier Power (to which the other companies in the WoDSI Group are also parties) whereby Frontier Power will provide a range of general management and other services to the WoDSI Group.

- 6.2.7 The Licensee is not authorised to obtain, nor allow any affiliate or related undertaking or staff from any affiliate or related undertaking to obtain, an unfair commercial advantage from having shared access or use of resources shared within the WoDSI Group. Given the ownership and group structure within which the Licensee operates; the nature of the regulatory regime; the inherent low risk business model operated by the Licensee; and the nature of the resources being used by the Licensee, all of which are described elsewhere in this Statement, it is the opinion of the WoDST directors that the likelihood of an unfair commercial advantage being gained by any of the parties referenced above, is considered extremely low. The Company's Code of Conduct, described in paragraph 6.2.8, ensures that all relevant personnel are aware that the obtaining an unfair commercial advantage is not permitted, and in addition, the Compliance Officer monitors this compliance through the review of the Licensee's procedures; interviews with management; regular meetings with the WoDST board; and the review of the agenda, papers and minutes of the WoDST board meetings.
- 6.2.8 The WoDSI Group has implemented processes to ensure that its employees and all other persons involved in the management or operation of WoDST's transmission business conduct the transmission business in the manner best calculated to secure that WoDST complies with the Licence conditions covered by this Statement. These processes include requiring all such employees and other persons to comply with the Code of Conduct set out in Appendix 1.
- 6.2.9 The WoDSI Group has implemented security to premises; physical documents; and IT systems, as appropriate, to secure the confidentiality of information and only allow access by authorised persons.
- 6.2.10 There are only a limited number of persons employed by or contracted to Frontier Power that are associated with the provision of management services to the WoDSI Group. Information is only shared with those persons as necessary for the performance of their duties and information (including financial information) is segregated accordingly by the use of logical access controls. Other IT controls include the use of passwords. Physical access is restricted to the premises and/or documents by the uses of keys and/or key code access.

## **7. Compliance Officer (Amended Standard Condition E12 – C4)**

- 7.1 The Licensee has, following consultation with the Authority, appointed a competent person as the "Compliance Officer" for the purpose of facilitating compliance by the Licensee with Amended Standard Condition E12–C4 of the Licence and with Standard Condition E6 (Prohibition of Cross-subsidies), Standard Condition E7 (Restriction on Activity and Financial Ring Fencing), Amended Standard Condition E12-C1 (Conduct of the Transmission Business) and Amended Standard Condition E12-C2 (Separation and Independence of the Transmission Business) and Amended Standard Condition E12-C3 (Restriction on use of certain information) (the "relevant duties").

7.2 The function of the Compliance Officer will be to perform the duties and tasks outlined in paragraph 7 of Amended Standard Condition E12–C4 (covering advising, monitoring, investigating and reporting on compliance matters). This will include providing relevant advice and information to the Licensee (including individual directors of the Licensee) and its compliance committee. The Compliance Officer will report annually to the compliance committee and to the WoDST board of directors. Thereafter, the Licensee will make a report to the Authority.

7.3 The Compliance Officer is independent of the management of the Licensee and provides an important check and balance in relation to Licensee’s overall Licence compliance framework in general and specifically in relation to the issue of business separation and independence. The Compliance Officer’s independence from the management of the Licensee is an essential characteristic of a Compliance Officer. This characteristic allows the Compliance Officer to form an independent and objective view as to the Licensee’s compliance with the transmission business separation requirements of the Licence; independent from any views that may be expressed by the management and the WoDST directors.

7.4 The Compliance Officer is able to offer independent advice to the management and directors of the Licensee in a number of areas; including the procedures and processes that have been put in place to achieve business separation and independence of the transmission business; and any interpretation of the Licence in business separation matters generally. The Compliance Officer is also able to proffer advice in relation to ad-hoc issues as they arise.

## **8. Prohibition of Cross subsidies (Standard Condition E6)**

8.1 Standard Condition E6 (Prohibition of Cross- subsidies) prohibits WoDST as the Licence holder, from giving or receiving a cross-subsidy from any other business or an affiliate or related undertaking of the Licensee.

8.2 As referred to above in section 4 Operating Model, WoDST primarily operates and maintains its transmission system through a series of bilateral contractual arrangements with independent third parties. Costs incurred by WoDSH and WoDSI associated with holding the investment (whether directly or indirectly) in WoDST are charged to WoDST as these costs have been incurred as a direct result of holding this investment.

8.3 WoDST contracts directly with its principal external service providers such as the O&M providers DONG and SPR; and Frontier Power.

8.4 It is not expected that, with the exception of costs incurred by WoDSI or WoDSH associated with holding its investments, these holding companies will contract for any significant services by themselves. Where these entities do so, then to the extent that WoDST benefits from any such arrangements, then these costs will be recharged to WoDST.

8.5 As there are no entities in the Group, other than WoDST that are expected to contract for any significant services, the risk of cross subsidisation from or to WoDST is considered to be extremely low. In addition, the nature of the regulatory arrangements means that the pricing of transmission services are set for the whole of the period that the Licence has been granted – 20 years. As a consequence, there is no incentive on the management, and/or any individual or individuals to intentionally receive or give a cross subsidy to or from the Licensee or its affiliates and related undertakings as it can have no impact on the revenue of the Licensee.

8.6 The Company's governance and compliance procedures outlined in this Statement (including the Code of Conduct described in paragraph 6.2.8 above) that have been adopted by WoDST give the WoDST board reasonable assurance that they will continue to comply with this Licence obligation. This will be monitored by the compliance officer and the board.

## **9. Restriction on Activity and Financial Ring Fencing (Standard Condition E7)**

9.1 With certain exceptions, WoDST as the Licence holder is not permitted to conduct any business or carry on any activity other than the transmission business.

9.2 The principal exceptions to paragraph 9.1, relate to: the conduct of de minimis business (as defined in Standard Condition E7) whether carried out by WoDST or a subsidiary created for that purpose; investments acquired in the normal course of WoDST's treasury activities; investment in subsidiaries that have the sole purpose of carrying out financing activities; investment in entities that carry out the transmission business of the Licensee; and any other business activity to which the Authority has given its consent.

9.3 Through the operation of the MSA in providing management services to WoDST, Frontier Power has to operate within certain parameters. Amongst other conditions, these operating parameters restrict Frontier Power from entering into any arrangements, agreements or from carrying out any activities that are inconsistent with any operating plan approved by the WoDST board. The approved operating plan does not pre-suppose any proposed activities or arrangements that are inconsistent with the obligations contained within this Statement.

9.4 The management of the Licensee operates through a series of delegated authorities and in particular, Frontier Power, in its capacity as provider of management services, would not be permitted to enter into any business arrangement other than that of the transmission business without obtaining the permission of the WoDST directors. The WoDST directors are aware of the general prohibition relating to non-transmission business (subject to the exceptions described in paragraph 9.2) and would not permit the Licensee to engage in this prohibited activity. Finally, in the event of the failure of any of the above processes and controls, the Compliance Officer would bring the attention of such activity to the attention of the WoDST directors ensuring that the appropriate remedial action would be taken.

## **10. Monitoring, responsibility and reporting**

- 10.1 The WoDST board is responsible for ensuring that WoDST complies with the obligations of the Licence generally and this Statement in particular, and will take all reasonable measures to ensure compliance with the terms of this Statement.
- 10.2 WoDST has appointed a compliance committee to specifically monitor compliance with the conditions of the Licence and the compliance committee reports to the WoDST board and that of the ultimate holding company.
- 10.3 WoDST has appointed a Compliance Officer (as required by Amended Standard Condition E12–C4) who is responsible for facilitating compliance by the Licensee with certain conditions of the Licence, including the conditions shown at paragraph 2.1 of this Statement. The Compliance Officer will report to the compliance committee.
- 10.4 The compliance committee, Compliance Officer and board of directors of WoDST will monitor the activities of the Company in relation to compliance with all Licence obligations.
- 10.5 The compliance committee is scheduled to meet on an annual basis. This committee will consider whether the Licensee has complied with its obligations under the Licence and will report upon its deliberations to the WoDST board directors, including any breaches or potential breaches of Licence conditions. The compliance committee will consider reports from Frontier Power (who are providing management services under the terms of the MSA) and from the Compliance Officer.
- 10.6 Frontier Power maintains a register of obligations which, amongst other things, records relevant obligations under the Licence and they consider on a regular basis the content of this register and whether these obligations have been met. A regular review of this register is one of the management processes that allow Licence obligations to be monitored and reported against.
- 10.7 In the event that Frontier Power, the Compliance Officer or any member of the compliance committee becomes aware of a licence breach or a potential breach, then an ad-hoc meeting of the compliance committee will be called to consider the breach or potential breach. The compliance committee will make a recommendation to the WoDST board and where appropriate the WoDST board will be convened to consider the appropriate response.
- 10.8 The duties of the Compliance Officer include the requirement to report annually to the compliance committee and to the WoDST board as to his activities which will indicate the Licensee's compliance or otherwise with the obligations of this Statement in particular. Thereafter, the Licensee will report to the Authority and amongst other matters will confirm compliance or otherwise with the obligations of this Statement.

## 11. Investigation of complaints regarding compliance with this Statement

11.1 The Compliance Officer along with his other duties, is responsible for investigating all complaints in relation to compliance with this Statement and the Licence, and will be allocated such resources and assistance as necessary to carry out any such investigation as he deems necessary to complete that investigation.

11.2 Any complaints or queries relating to business separation should be addressed in the first instance to:

The Compliance Officer  
WoDS Transmission plc  
The American Barns,  
Banbury Road  
Lighthorne,  
Warwickshire  
CV35 0AE

## 12 Approval

The boards of WoDST and WoDSI have endorsed this Statement prior to its submission to the Authority for approval. The Authority has approved this Statement.

### Document version management and amendment

Version	Date	Reason(s) issued or amended	Board approval	Effective from
Version 0.1	1 March 2015	Draft for comment	N/A	N/A

# Appendix 1 - Code of Conduct

The purpose of this Code of Conduct is to ensure that employees and other relevant personnel are aware and comply with the obligations of the transmission licences granted to WoDST.

For the purposes of the WoDST Compliance Statement, all references in this Code of Conduct to “the Licensee” are to WoDST.

All employees and other relevant personnel are required to confirm their acceptance and compliance with this Code of Conduct on an annual basis.

## 1. Who must abide by the code?

1.1. All employees of the Licensee or employees of its affiliates and for related undertakings involved in any activities in relation to any wholly owned subsidiaries of its parent company (WoDS Transmission Topco Limited (WoDSI)). For this purpose, the Licensee’s affiliates and related undertakings include WoDSI and any of its subsidiaries held directly or indirectly.

1.2. Employees and consultants of Frontier Power engaged in the management and operation of the Licensee’s transmission business or the transmission business of any of the Licensee’s affiliates.

## 2. What requirements must be complied with and where can these be found?

### 2.1. The Licensee’s Licence:

- Standard Licence Condition E6: Prohibition of Cross-Subsidies
- Standard Licence Condition E7: Restriction on Activity and Financial Ring Fencing
- Amended Standard Licence Condition E12 - C1: Conduct of the Transmission Business
- Amended Standard Condition E12 – C2 (Separation and Independence of the Transmission Business).

### 2.2. S105 Utilities Act 2000: General restrictions on disclosure of information

### 2.3. Failure to comply could result in adverse consequences for the Licensee, including:

- Financial penalty
- Criminal prosecution
- Liability payments to a third party for breach of a contract
- Investigations and other enforcement action by Ofgem
- Additional and more onerous Licence conditions, and
- Serious damage to the Licensee’s reputation.

2.4. Breach of this Code of Conduct will be treated as a disciplinary matter and will be reported to the Authority.



# Appendix 1 - Code of Conduct

## 3. What should be done if a breach is discovered?

3.1. Any breach of the Code of Conduct by employees or relevant personnel whether deliberate or unintentional, must be immediately reported to a member of the Licensee's Compliance Committee.

## 4. General Rules

### 4.1. Confidential information

4.1.1 Any information relating to or deriving from the management or operation of the Licensee's transmission business is to be treated as confidential and should not be disclosed except where the Licensee and its affiliates are permitted to disclose information by virtue of:

- i. Any requirement of a "competent authority" as defined in Amended Standard Condition E12-C3 which term includes (among others) the Secretary of State, Ofgem and the Compliance Officer;
- ii. Conditions of the transmission licence granted to the Licensee;
- iii. Any other requirements of law;
- iv. The rules of the Electricity Arbitration Association or of any judicial or other arbitral process or tribunal of competent jurisdiction;
- v. Information being provided by or relating to any person who has notified the Licensee that it need not be treated as confidential;
- vi. Where information, not being provided by or relating to any person other than the Licensee, is placed in the public domain or where such information is required for assisting the holder of a co-ordination licence (e.g. NGET), to prepare for and plan and develop the operation of the national electricity transmission system.

4.1.2 Here "transmission business" means the authorised businesses of the Licensee or any affiliate or related undertaking in the planning or development or construction or operation or maintenance of a transmission system.

4.1.3 It is therefore permissible to share information between the transmission businesses of the Licensee, or any affiliate or related undertaking, with an authorised transmission business, for the purpose of the efficient planning or development or construction or operation or maintenance of the Licensee's transmission system.

# Appendix 1 - Code of Conduct

## 4.1. Confidential information (continued)

- 4.1.4 Additionally it is permissible to share information with WoDSI and any other affiliate or related undertaking of the Licensee provided that no unfair commercial advantage is provided.
- 4.1.5 An unfair commercial advantage will be presumed where there is a financial benefit obtained by either the Licensee or affiliate or related undertaking of the Licensee entering into a commercial arrangement with the Licensee since the date of licence grant and financial close where such an arrangement has not been benchmarked or market tested and is on materially different terms to any such similar arrangement entered into at licence grant and financial close and is based on the knowledge of confidential information to the Licensee.

## 5.2 Employees and relevant personnel must not:

- 5.2.1 Provide information that is commercially confidential to the Licensee to any affiliate or related undertaking of the Licensee or that of any third party, except:
- i. to the extent that such information is required for the affiliate or related undertaking of the Licensee or third party to perform an activity under the terms of a contract which supports the management or operation of the transmission business licensed to the Licensee provided the use of such information does not confer an unfair commercial advantage as set out above and where the provision of such information is governed by suitable confidentiality restrictions; or
  - ii. to personnel of any holder of a transmission licence engaged in the external transmission activities of that transmission licence holder, to the extent necessary for the performance by such personnel of those external transmission activities, and the use by such personnel of that information for that purpose provided the use of such information does not confer an unfair commercial advantage as set out above and where the provision of such information is governed by suitable confidentiality restrictions; or
  - iii. to personnel engaged in the planning or development or construction or operation or maintenance the use of such information does not confer an unfair commercial advantage as set out above and where the provision of such information is governed by suitable confidentiality restrictions.
- 5.2.2 Provide or receive any cross subsidy to or from the Licensee or any affiliate or related undertaking of the Licensee whether by means of direct or indirect

# Appendix 1 - Code of Conduct

financial assistance, or non-cost-reflective charges for services, use of facilities or otherwise.

## 5.2 Employees and relevant personnel must not (continued):

5.2.3 Enter into any new commercial agreement between the Licensee and an affiliate or related undertaking after financial close unless it is on an arm's length basis and on normal commercial terms as approved through the related party contract authorisation process by the Licensee's Board.

## 5.3 Employees and relevant personnel must:

5.3.1 Ensure that adequate records are maintained in respect of all new services provided to the Licensee by affiliates or related undertakings since financial close so as to demonstrate that such arrangements do not confer an unfair commercial advantage and are entered into consistent with the conditions described in paragraph 5.2.3 of this Code of Conduct.

5.3.2 Ensure that the reporting requirements as specified or implied by the terms of the management services agreement are communicated in a timely manner, including:

- i. Immediate notification of any actual or potential regulatory breaches; and
- ii. in the manner, detail and frequency as agreed following implementation of the management services agreement.

5.3.3 Ensure that the cost of services under any new joint contracts entered into with an affiliate or related undertaking or a third party with the Licensee and any other transmission business is fairly allocated to the Licensee and each of the transmission businesses such that there is no cross subsidy given to any transmission business.

## 6. Further Guidance/Advice

If you need further guidance in the first instance speak to the Licensee's General Manager or Compliance Officer.

