

WoDS TRANSMISSION



WODS TRANSMISSION PLC

**16 November
2022**

**Annual Compliance Report
2021/22**

Prepared pursuant to Amended Standard Condition E12 – C4 (Appointment of compliance officer) of the Offshore Electricity Transmission Licence as granted to WoDS Transmission plc (“WoDST”) (registered in England with number 09309507) whose registered office is Cannon Place, 78 Cannon Street, London EC4N 6AF under section 6(1)(b) of the Electricity Act 1989.

1. Introduction

This report, produced pursuant to Amended Standard Condition E12 – C4: Appointment of compliance officer of the Offshore Electricity Transmission Licence (“The Licence”) which was issued to WoDS Transmission plc (“Licensee”) on 19 August 2015 and came into force on 20 August 2015, addresses:

- 1) Compliance with the relevant duties (as defined below) during the period of this annual report being the period 20 August 2021 through to 19 August 2022 inclusive; and
- 2) Implementation of the practices, procedures and systems adopted in accordance with the “Separation and Independence of the Transmission Business Compliance Statement” or “the Statement” which was published by WoDS Transmission plc on 1 September 2015.

The relevant duties of the Licensee require compliance with the following conditions of Licence granted to WoDS Transmission plc (“WoDST” or “the Company”) on 19 August 2015:

- 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);
- Amended standard condition E12 – C2 (Separation and Independence of the Transmission Business);
- Amended standard condition E12 – C3(Restriction on use of certain information); and
- Amended Standard condition E12 – C4 (Appointment of compliance officer).

2. Compliance with the relevant duties

Under the terms of the Licence, the Licensee is required to publish a compliance statement that details how the Company intends to comply with its obligations under amended standard condition E12 – C2 of the Licence. The compliance statement was approved by the Authority on 1 September 2015. The compliance statement has been published on the WoDS Transmission website and is available via the following link:

[http://www.wodstransmission.com/sitemanager/uploads/files/E12%20-%20C2%20WoDS%20Business%20Separation%20Statement%20\(approved%201%20Sept%202015\).pdf](http://www.wodstransmission.com/sitemanager/uploads/files/E12%20-%20C2%20WoDS%20Business%20Separation%20Statement%20(approved%201%20Sept%202015).pdf)

WoDST has taken appropriate steps to ensure business separation was effective during the period of this annual report and the relevant issues understood by the directors of WoDST; the directors of those companies that comprise the WoDS transmission group of companies; and those employees, directors and consultants of Frontier Power Limited that are involved in the provision of management services to the Company.

The WoDS transmission group of companies comprises WoDS Transmission Topco Limited, which holds 100% of the ordinary issued share capital of WoDS Transmission Holdco Limited which in turn holds 100% of the ordinary issued share capital of WoDS Transmission plc.

For the period of this report the Licensee has been in compliance with its relevant duties.

An annual compliance plan was produced by the compliance officer for the purpose of ensuring compliance with the relevant duties of the Licensee. The annual compliance plan detailed the actions to be undertaken by the compliance officer in relation to the relevant duties of the Licensee and included a consideration of: the advice and information to be provided by the compliance officer; information sharing processes; the Licensee’s Licence monitoring processes; the agendas, papers and minutes of the Licensee’s Board and committee meetings, reporting; and complaint handling. Further details of the monitoring, responsibilities and reporting obligations in so far as they relate to the relevant duties of the Licensee and how the Board, Compliance Committee and compliance officer discharge those duties can be seen from section 7 and 10 of the Licensee’s Statement – a link to this statement is provided above.

Compliance Committee

The Compliance Committee is a permanent internal body having an informative and consultative role, without executive functions, with powers of information, assessment and presentation to the Board. The Compliance committee is a committee of the Board and reports to the Board in relation to matters of compliance with the Licence and has been formed to assist the Board in the effective discharge of its responsibilities as to compliance with the obligations placed on the Company as a result of being granted the Licence.

Mr David Pagan was the Company’s compliance officer for the period of this report, being 20 August 2021 through to 19 August 2022 inclusive and has continued in that role through to the date of this report. Mr David Pagan has not been engaged in the management or operation of the licensed transmission business system, or the activities of any associated business.

Members of the Compliance Committee during the period of this report and who were members for the whole period and through to the date of this report unless otherwise noted were as follows:

| Name | Appointed | Resigned |
|---------------|--------------|--------------|
| Daniel Pires | 28 June 2022 | |
| Graham Farley | | |
| Chris Field | | 28 June 2022 |

No issues in relation to the relevant duties of the Licensee have arisen during the period and no complaints have been received by the compliance officer.

The Company does not have an internal audit department and therefore no routine audits of compliance with the relevant duties have been undertaken; however, the Compliance Committee, the Board and the compliance officer have considered the various compliance reports and other evidence in respect of the relevant duties of the Licensee and have concluded that no such audit is necessary as no issues have arisen.

Detailed references to the work of the compliance officer are given in section 2 (f) below.

a) Amended Standard Condition E12-C1 (Conduct of the Transmission Business)

The Licensee has complied at all times during the period of this report with the requirements of amended standard condition E12 – C1.

The Licensee has conducted the business of its Transmission Business consistent with the Statement in general and in particular the code of conduct (“the code”) included at appendix 1 to the Statement. A link to the Statement is given above. The Company’s directors together with all employees, directors and consultants engaged by Frontier Power Limited that provide management services to the Licensee are obliged to abide by the code and the Company and compliance officer has monitored compliance with the code.

In respect of the Licensee’s conduct of its transmission business, through the application of the procedures and processes referenced in its Statement (see link to approved Statement above): the Compliance Committee; the Board; and the compliance officer all concur that no unfair commercial advantage has been conferred on or by the Licensee, its affiliates or related undertakings, any user of the national electricity transmission system or any other transmission licensee.

In particular the Compliance Committee; the Board and compliance officer have all noted or concluded, as appropriate, during the period of this report the following:

- 1) That all employees and consultants of Frontier Power Limited (its affiliates and related undertakings to the extent those employees and consultants provide management services directly or indirectly to WoDST) had confirmed their acceptance of the code that informs those individuals of their obligations under the Licence;
- 2) That in respect of the individuals referenced in 1) above that they had confirmed adherence to the code;
- 3) That the compliance officer had interviewed some of the individuals referenced in 1) above to ensure that they understand the importance of the code and for them to confirm adherence and has satisfied himself that they had done so;
- 4) That the operating model as described in the section 4 of the Statement has resulted in the Licensee contracting with independent third parties. Consequently, the risk of the Licensee (including its affiliates and related undertakings), any user of the national electricity system or any other transmission licensee obtaining an unfair commercial advantage is considered very unlikely;
- 5) The Licensee has a procurement policy in place that requires certain authorisations to be obtained at different levels of procurement that is designed to prevent unauthorised, non-compliant behaviour.

Consequently, the Board have concluded that the Licensee has been in compliance at all times with paragraph 1 of amended standard condition E12 - C1 (Conduct of the Transmission Business) over the period of this report.

The Compliance Committee, the Board and compliance officer also note that no associated business of the Licensee is authorised to generate and/or supply electricity and that to the extent that the licensee has secured and procured separate premises, equipment, systems for recording and storing data, facilities, staff, and property that these are held separately from those owned by the 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. Consequently, the Board has concluded that the Licensee has been in compliance with paragraph 2 of amended standard condition E12 - C1 (Conduct of the Transmission Business) over the period of this report.

b) Amended Standard Condition E12 – C2 (Separation and Independence of the Transmission Business)

The Licensee has complied at all times during the period of this report with the requirements of amended standard condition E12 – C2.

The Licensee has conducted the business of its Transmission Business consistent with the Statement in general and in particular paragraph 6 and the sub-clauses thereto of the Statement.

A description of the corporate governance arrangements that applied during the period of this report that are consistent with the arrangements described in the Statement can be seen in the Company's regulatory accounts on pages 25 to 31 inclusive which can be downloaded by following this link:

<https://www.wodstransmission.com/>

The Compliance Committee, the Board and the compliance officer note the following:

- The publication of the Statement was compliant with the requirements of paragraph 2, 3 and 4 of amended standard condition E12 – C2;
- That a separate board of directors has been established for the transmission business and any other associated business;
- Where a director of WoDST is also a member of the board of an associated business – that they fulfil their role in relation to taking of decisions solely in respect of the business of the relevant board.

c) Amended Standard Condition E12-C3 (Restriction on use of certain information)

The Licensee has complied at all times during the period of this report with the requirements of amended standard condition E12 – C3.

All employees of the Company (although there were no such employees during the period of this report) together with all employees, directors and consultants of Frontier Power Limited engaged in the supply of management services to the Company (either directly or indirectly) are obliged to abide by the code which makes specific reference to the restrictions on the use of certain information (paragraph 4 refers) and the Licensee has monitored compliance with the code by way of enquiry of management; the activities of the compliance officer; and discussions held within the Compliance Committee and/or the Board.

Management has put in place controls and procedures to restrict access to information to authorised personnel only. These include controlling physical access to buildings and rooms within buildings and logical access / password protection in relation to data stored on computer systems and related data storage systems. In addition, management assesses the risk of the deliberate disclosure of information to unauthorised personnel as being highly unlikely as the commercial value of such information is considered very low. The compliance officer, Compliance Committee and the Board concur with this assessment.

All employees (if the Company engaged staff) and Frontier Power employees and consultants, to the extent that they are engaged in supplying management services to WoDST directly or indirectly are required to confirm adherence to the code. In addition, the compliance officer has interviewed certain Frontier Power employees and consultants to ensure that they understand the importance of the code and for them to confirm adherence and has satisfied himself that they have done so.

d) Standard Condition E6 – Prohibition of cross-subsidies

The Licensee has complied at all times during the period of this report with the requirements of standard condition E6.

The Licensee has complied with the requirement not to give or receive a cross subsidy at any time during the period covered by this report to or from any other business or an affiliate or related undertaking of the Licensee.

As noted at paragraph 8.5 of the Statement the nature of the operating model inherently minimises the risk of cross subsidisation as there is a separation of the ultimate ownership of the Licensee from those entities contracted to operate the transmission system – these entities being independent of the ultimate owners (the investors in WoDS Transmission Topco Limited).

The Compliance Committee, the Board and the compliance officer note that there have been no transactions with affiliates or related parties of the Licensee during the period of this report that were not permitted by the Licence.

e) Standard Condition E7 – Restriction on Activity and Ring Fencing

The Licensee has complied at all times during the period of this report with the requirements of standard condition E7.

The Licensee has conducted the business of its Transmission Business consistent with the Statement in general and in particular paragraph 9 of the Statement.

During the period of this report, the Compliance Committee, the Board and compliance officer have considered the activities undertaken by the Licensee to ensure that they fall within the remit of those activities permitted under the Licence. This consideration has included, amongst other matters, a review of: the budget; forecasts; quarterly management reports; reports prepared by Frontier Power (provider of management services to the Licensee); and any reports prepared by the compliance officer after carrying out his activities. The Compliance Committee, the Board and the compliance officer have reviewed the nature of the activities undertaken by the Licensee or contemplated by the Licensee and are satisfied that all the activities undertaken during the period of this report or contemplated during the period of this report and included within the budget or forecast are all permitted activities under the terms of the Licence.

The Compliance Committee, the Board and compliance officer having considered the evidence available to them in the form of the reports etc. referenced above note that during the period of this report, the Licensee, which does not have any “relevant associates” (as defined under its Licence), has not carried out any activities other than those activities that directly relate to the operation of an offshore transmission business.

f) Amended Standard Condition E12-C4 - Appointment of compliance officer

Mr David Pagan is WODST's currently appointed compliance officer. Mr David Pagan has worked for over thirty years in the UK gas and electricity supply industries holding senior management positions in British Gas, Transco and National Grid. Mr David Pagan's experience includes, inter alia, responsibility for a variety of engineering construction projects, gas and electricity regulatory reporting, charge setting for the gas and electricity transmission systems and gas transmission and supporting regulatory reviews.

The compliance officer prepared an annual compliance plan for WoDST which was presented to WoDST's Compliance Committee and Board on 02 December 2021.

By way of enquiry during the period of this report of both the management of the Licensee and the compliance officer together with a review of reports provided by the compliance officer and management and having observed the activities of the compliance officer, the Compliance Committee and Board satisfied themselves that consistent with the requirements of amended standard condition E12 – C4 (3) that the compliance officer in office during the period of this report was not engaged in the management or operation of the Licensee's transmission system or that of any associated business.

The Board and Compliance Committee noted that during the period covered by this report the compliance officer in office, being Mr David Pagan, had also acted as compliance officer to several other offshore transmission owners, namely, Blue Transmission Walney 1 Limited, Blue Transmission Walney 2 Limited, Blue Transmission Sheringham Shoal Limited and Blue Transmission London Array Limited. It was further noted that the position of compliance officer to these companies was not a position of management in those companies. In addition, the Board and Compliance Committee noted, and the compliance officer confirmed that the compliance officer had not been engaged in the management or operation of the Licensee's transmission system or that of any associated business during the period of this report.

The Board noted that a Compliance Committee (being a committee of the board of directors of the Licensee) had been established in accordance with amended standard condition E12 – C4 (4) for the purpose of overseeing and ensuring the performance of the duties and tasks of the compliance officer as set out in paragraph 7 of amended standard condition E12-C4 and the compliance of the Licensee with its relevant duties.

The Board further noted that the Compliance Committee, consistent with the requirements of paragraph 4 of amended standard condition E12-C4, had:

- 1) reported to the Board; and
- 2) included within their membership: a Director who took responsibility for day-to-day compliance with the activities of the Licence; and such persons from within the Licensee's business who are responsible for the management of regulatory issues relating to the Licence.

The Board and the Compliance Committee by way of regular enquiry of the compliance officer and management confirmed that they were satisfied that during the period of this report, that the compliance officer had been provided with such staff, premises, equipment, facilities and other resources as necessary together with such access to the Licensee's premises, systems, information and documentation as necessary for the compliance officer to carry out his duties. The Board and Compliance Committee noted, and the compliance officer concurred that in accordance with amended standard condition E12 – C4 (5) that the compliance officer had been provided with all the staff, premises, equipment, facilities and other resources together with access to premises, systems, information and documentation as required to carry out the duties of the compliance officer.

The Board noted that the Licensee had received no complaint or representation from any person in respect of a matter arising under or by virtue of the relevant duties.

The compliance officer's activities during the year included:

- Preparation and presentation of an annual compliance plan to the Compliance Committee;
- Reviewing a representative sample of Board and Management papers and minutes to ensure compliance with the relevant duties of the Licensee;
- Discussion with certain Frontier Power directors, employees and consultants to ensure that the principles and practices of the relevant duties in general were understood and that the principles and practices relating to business separation in particular were adhered to;
- Reviewing policy and process documents together with employment contracts and the code to confirm that compliance with the relevant duties of the Licensee was properly represented and adhered to;
- Reviewing the register of obligations to ensure compliance with the relevant duties of the Licensee;
- Presenting Reports to the WoDST Compliance Committee in line with the annual compliance plan and discussing any potentially regulatory compliance issues with the Committee;
- Reporting annually to the Board on compliance with the relevant duties of the Licensee.

The compliance officer was not asked to investigate any complaints during the period of this report and did not identify any breaches of the Licensee's relevant duties which required the attention of the Compliance Committee or the Board.

Certificate of Compliance

The Certificate of Compliance as required under Amended Standard Condition E12-C4 (9) (d) is attached as Annex 1.

3. Who to contact for more information

Mr David Pagan

Compliance officer

WoDS Transmission plc

The American Barns

Lighthorne

Warwickshire

CV35 0AE

Annex 1

Certificate of Compliance as required under Amended Standard Licence Condition, E12-C4 (9) (d)

The Board of directors of WoDS Transmission plc hereby confirm that that the Licensee has at all times been in compliance with the relevant duties of the Licensee and that the report of the compliance officer fairly presents the licensee's compliance with its relevant duties.

Approved by Resolution of the Board and signed on its behalf.

Daniel Pires

Daniel Pires (Nov 16, 2022 16:29 GMT)

Daniel Pires

Director

16 November 2022

WoDS Annual Compliance Report 2021_22 v1.0

Final Audit Report

2022-11-16

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