

Compliance Plan

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1. INTRODUCTION

- 1.1 Northern Ireland Electricity Networks Limited (“NIE Networks”) is the holder of a Participate in Transmission Licence and an Electricity Distribution Licence (the “Licences”). The Licences include conditions regulating NIE Networks’ transmission and distribution activities.
- 1.2 This document sets out NIE Networks Compliance Plan as required under Condition 12 of the Licences.
- 1.3 Condition 12 of the Licences requires the independence of the Transmission Owner Business and Distribution Business (referred to collectively as the “Transmission and Distribution Businesses” or “T&D Businesses”) from any Associated Business (meaning all other businesses within the ESB Group). Condition 12 ensures compliance with European and UK legislation regarding appropriate business separation between electricity network businesses and businesses involved in the generation and/or supply of electricity.
- 1.4 Capitalised terms in this Compliance Plan shall have the meaning given to the relevant term in the Licences.

2. COMPLIANCE PLAN

- 2.1 Condition 12(9) to 12(14) of the Licences sets out the requirements for developing, publishing and keeping up-to-date a Compliance Plan.
- 2.2 NIE Networks has developed this Compliance Plan, and it shall be kept under review to ensure it remains fit for purpose. This review of the Compliance Plan will be carried out at least annually and also if NIE Networks becomes aware of any matter which has (or is reasonably likely to have) a material impact on the managerial and operational independence of the T&D Businesses, the purpose being to ensure NIE Networks' continued compliance with Condition 12 and that content of the Compliance Plan continues to be accurate in all material respects. Revisions to the plan will be submitted to the Northern Ireland Authority for Utility Regulation ("the Authority") for approval.
- 2.3 NIE Networks will ensure that an up-to-date Compliance Plan is published in its website.
- 2.4 Condition 12(15) requires that NIE Networks ensures persons engaged in the management and operation of the T&D Businesses are made aware of the practices, procedures, systems and rules of conduct set out in the Compliance Plan and that they have the necessary information and facilities to comply with their respective obligations as provided for in the Compliance Plan. Persons engaged in the management and operation of the T&D Businesses should also be aware of the disciplinary procedures that may be followed should they fail to comply with their obligations under the Compliance Plan.
- 2.5 The following arrangements are in place to meet these requirements –
- new employees receive induction training which includes a briefing on the company's regulatory obligations. The briefing lays particular stress on NIE Networks' obligations in relation to protected information and business separation;
 - NIE Networks produces a monthly internal briefing (the 'Company Brief') for employees, which covers a wide range of company-related matters. A reminder is placed periodically in the Company Brief on the obligations regarding business independence;
 - NIE Networks' Compliance Manager provides advice to senior personnel in relation to business separation obligations, on an ongoing and as needed basis;
 - each employee's contract of employment contains clauses that require the employee to observe NIE Networks' requirements on confidentiality and protection of information; and
 - NIE Networks include confidentiality clauses in third-party contracts and industry documents.
- 2.6 These arrangements are reviewed on a regular basis and, if appropriate, updated.

Compliance Manager

- 2.7 Condition 12(16) of the Licences requires that NIE Networks, following consultation with the Authority, ensures that a competent person is appointed for the purpose of facilitating compliance with its obligations under Condition 12 and with the Compliance Plan. Condition 12(17) requires that the Compliance Manager is sufficiently independent to fulfil the duties and tasks assigned to him/her. Condition 12(18) requires that the Compliance Manager has access to staff, premises,

systems, information, documentation, equipment, facilities and other resources necessary to fulfil the duties and tasks assigned to him/her.

- 2.8 NIE Networks' current Compliance Manager was appointed in November 2012, following consultation with the Authority. NIE Networks confirms that the Compliance Manager has access to staff, premises, systems, information, documentation, equipment, facilities and other resources necessary to fulfil his duties and tasks.

Reporting

- 2.9 Condition 12(19) requires that NIE Networks submits, at such frequency as is determined by the Authority, a report to the Authority which –
- details the activities of the Compliance Manager during the period covered by the report;
 - provides an update on the implementation of the Compliance Plan; and
 - details of any investigations carried out by the Compliance Manager.
- 2.10 The Compliance Manager will submit to the Authority, by 30 June each year, a compliance report covering the year ended 31 March in the same year. The report will cover all aspects identified in paragraph 2.9 above.

3. PROTECTED INFORMATION

- 3.1 In addition to the annual compliance report, NIE Networks will submit an annual Protected Information report to the Utility Regulator pursuant to Direction AIP/SEM/07/497 (“the Direction”).
- 3.2 In accordance with the Direction, the Protected Information report will include, inter alia, a description of the arrangements in place to ensure that –
- protected information is not disclosed to other persons without the consent in writing of the person to whose affairs that information relates;
 - protected information received by NIE Networks is not divulged by any business person to any person who is not an authorised recipient; and
 - protected information is not used by any business person otherwise than for the purpose of pursuing an authorised purpose.
- 3.3 Each employee’s contract of employment obliges the employee to observe NIE Networks’ requirements on confidentiality of information.
- 3.4 For clarity, the terms “protected information”, “authorised recipient”, “business person” and “authorised purpose” as used in this Section 3 shall have the meanings set out in Condition 10 of the Licences.

4. UNDERTAKINGS

- 4.1 Condition 12(4) of the Licences requires that NIE Networks shall procure from ESB a legally enforceable undertaking that ESB will not exercise its corporate governance role in relation to NIE Networks other than in the manner calculated to ensure such exercise does not restrict, prevent or distort competition in the supply or generation of electricity.
- 4.2 In accordance with this condition, NIE Networks has procured from ESB the required undertaking in respect of its corporate governance role.
- 4.3 In addition, NIE Networks has procured from ESB –
- an undertaking for the purposes of Condition 3 of the Licences that states ESB will refrain from action that would be likely to cause breach of NIE Networks' Licences or legislative obligations;
 - an undertaking for the purposes of Condition 8 of the Licences with regard to the provision of information to the Authority; and
 - an undertaking for the purposes of Condition 10 of the Licences concerning access to and use of protected information.
- 4.4 Subject to any change in the Licence requirements, these undertakings will remain in force for as long as NIE Networks remains the holder of the Licences and ESB remains the shareholder.

5. BUSINESS SEPARATION

- 5.1 NIE Networks will maintain the following procedures to ensure managerial and operational independence from any Associated Business.
- 5.2 NIE Networks will not hold or acquire shares in a holding company of the Licensee or in any electricity undertaking engaged in the generation or supply of electricity.
- 5.3 NIE Networks will be managed by an independent Board (in compliance with Condition 3A of the Licences) which has effective decision-making rights with respect to those assets under its control necessary for network operation, maintenance and development.
- 5.4 NIE Networks will control access to its offices. This will involve the use of individually controlled electronic passes, such that only NIE Networks employees have unrestricted access to buildings utilised exclusively by NIE Networks. Visitors to NIE Networks premises do not have general access; they must report directly to the relevant NIE Networks personnel who are responsible for granting access and supervising them whilst they are on the premises.
- 5.5 In emergency circumstances where NIE Networks is working to restore electricity supplies, it may be necessary for NIE Networks to permit the limited and controlled use of assets to ESB Networks personnel for the purposes of restoring supplies, in accordance with NIE Networks' escalation plan.
- 5.6 Detailed IT Security Policy and Procedures are in place to maintain security and confidentiality of business data. These procedures are actively communicated to all users and robustly applied. NIE Networks' systems operate on a standalone basis from any Associated Business with no access possible by Associated Businesses (except where previously approved, and as may be approved from time to time, by the Authority).
- 5.7 As a retail market participant in Northern Ireland, Associated Businesses licensed to supply electricity in Northern Ireland (e.g. Electric Ireland) use the NIE Networks Enduring Solution websites and messaging infrastructure in the same manner as all other supply businesses operating in the market.
- 5.8 NIE Networks will notify and obtain the approval of the Authority in advance of undertaking joint projects with Associated Businesses, in accordance with the requirements of Condition 12 of the Licences, with particular reference to the requirements of Condition 12(3)(d). NIE Networks will comprehensively document the nature of such arrangements with Associated Businesses within its annual Compliance report.

6. STAFF RESTRICTIONS

- 6.1 Condition 12(3)(f) of the Licences requires that NIE Networks shall maintain an up-to-date register of all persons engaged by the Transmission and Distribution Businesses. Paragraph 3(e)(ii) places restrictions on staff taking up employment at an Associated Business engaged in generation or supply.
- 6.2 A register of all persons employed by NIE Networks, detailing name, job title, department, work location and, where relevant, leaver or transfer date is maintained and updated regularly. The NIE Networks' HR Director provides details to the Compliance Manager of employees who are seeking to take up a position at an Associated Business engaged in supply or generation.
- 6.3 In each case the Compliance Manager and the HR Director determine the action to be taken when an individual is leaving NIE Networks and joining an Associated Business engaged in supply or generation, to ensure that adherence to the conditions specified in paragraph 3(e)(ii) of Condition 12 are met. In so far as is legally possible NIE Networks will require a period of "gardening leave" that will prevent any person who has ceased to be engaged in the management or operation of the T&D Businesses from being engaged in the activities of any Associated Business that is engaged in the generation or supply of electricity until the expiry of an "appropriate time" from the date on which he ceased to be engaged by the T&D Businesses. The Licences specify that an "appropriate time" means a period of 6 months or such other period of time as the Authority may specify on a case by case basis (for any person or class of persons). In addition to the "gardening leave" requirement, such staff will be required to sign an undertaking that they will not divulge protected information received during their employment with NIE Networks.
- 6.4 It is a matter for individual NIE Networks employees to decide whether they wish to apply for vacant posts in any Associated Business that is engaged in the generation or supply of electricity. NIE Networks will inform the Authority in each such instance, and NIE Networks will endeavour to enforce the period of gardening leave required by the Authority.
- 6.5 However, in the event of a challenge from the individual in question, for example where the individual believes their employment rights have been infringed, alternative arrangements may need to be considered in consultation with the Authority. NIE Networks will involve the Authority in the oversight and application of this process and, in practice, NIE Networks will agree with the Authority the steps to be taken on a case by case basis, should such an eventuality arise.

7. CORPORATE GOVERNANCE

- 7.1 The Board of Directors of NIE Networks (the “NIE Networks Board”) will be responsible for the long-term success and oversight of NIE Networks.
- 7.2 The NIE Networks Board has effective decision-making rights necessary for network operation, maintenance and development.
- 7.3 The NIE Networks Board is responsible for the management and operation of NIE Networks with the Executive Committee (the “Executive Committee”), comprising only executive members of the NIE Networks Board and senior managers employed by NIE Networks, undertaking much of the day-to-day business and management and operation of NIE Networks.
- 7.4 The NIE Networks Board’s Audit & Risk Committee comprises the independent non-executive directors of the NIE Networks Board. The Committee’s function is to support the NIE Networks Board in its responsibilities for corporate reporting and to maintain sound risk management and internal control systems.
- 7.5 As recognised in Condition 12(3)(c) of the Licences, ESB, as the ultimate shareholder of NIE Networks, shall exercise its corporate governance role in respect of NIE Networks where it does so in a way calculated to ensure that such exercise does not restrict, prevent or distort competition in the supply or generation of electricity.
- 7.6 The exercise of corporate governance involves compliance with legal duties and obligations by NIE Networks’ ultimate holding company and ensuring that the economic and management supervision rights of the ultimate holding company in respect of its investment and the return on NIE Networks’ assets are protected. This includes:
- (i) approving NIE Networks’ annual financial plan and overseeing its longer term financial plans, and providing such financial resources and financial facilities as are necessary, including setting global limits on NIE Networks’ indebtedness;
 - (ii) overseeing NIE Networks’ system of internal control and risk management;
 - (iii) consultation on price control matters which could have a material effect on ESB’s investment in NIE Networks;
 - (iv) appointing and removing the directors of the NIE Networks Board; and
 - (v) establishing a governance framework to facilitate decision making for corporate governance purposes.

However, NIE Networks will ensure that no specific information (which is not in the public domain) is provided to ESB under (i) to (v) above in a manner which would give ESB an unfair competitive advantage in relation to its generation or supply activities.

- 7.7 The Chief Executive Officer or the Deputy CEO of ESB may attend NIE Networks Board and Audit & Risk Committee meetings to be kept up to date with NIE Networks’ overall business performance, internal control and risk management arrangements and other important developments, especially those matters which would be submitted to ESB for approval and/or be likely to have a material effect on the value or reputation of NIE Networks. However, they will not be permitted to be in attendance for specific agenda items which include information which is not in the public domain

and would give ESB an unfair competitive advantage in relation to its generation or supply businesses.

- 7.8 The Company Secretary of NIE Networks will review agenda items and papers prior to meetings of the Board and Audit & Risk Committee, to ensure the above restrictions are complied with.