



**Southern Electric Power Distribution plc
and Scottish Hydro Electric Power Distribution plc**

**Statement of Compliance in relation to Affiliate Independent Distribution Network Operator
(AIDNO)**

Restriction on use of confidential information and independence of the distribution network operators from AIDNOs

1. Introduction

SSE plc group have two Distribution Network Operators (Southern Electric Power Distribution plc (“SEPD”), and Scottish Hydro Electric Power Distribution plc (“SHEPD”), deemed the ‘Licensees’. These continue to be operated and managed as a wholly owned subsidiary of Scottish and Southern Energy Power Distribution Limited (“SSEPD”), under the conditions of Standard Licence Condition 42 and produce a separate Compliance statement as requested by the authority.

On the 15 December 2021, Forbury Assets Ltd (FAL) formerly changed its name to Optimal Power Networks Limited but remains a wholly owned subsidiary of SSE Enterprise Limited “SSEE” and a wholly owned entity of SSE plc Group. Optimal Power Networks Limited operates under a separate distribution licence thus becoming an Affiliated Independent Distribution Network Operator (AIDNO) which will operate across Great Britain including within the Distribution Service Area of the licensees of “SEPD and SHEPD”.

The purpose of this Statement of Compliance (“the Statement”) is to set out the practices, procedures and systems adopted by the two distribution licensees (“the Licensee”), wholly owned by SSE plc, to ensure compliance with relevant licence conditions on restrictions on the use of confidential information and the independence of the licensed distribution activities.

The statement is required under Standard Condition 42A of the electricity distribution licences of both SEPD and SHEPD:

As an entity, SSEPD shall take all reasonable steps to ensure compliance with the terms of the Statement, acknowledging, however, that ultimate compliance responsibility remains with each individual network company. SSEPD will, with approval of the Gas and Electricity Markets Authority (“the Authority”), revise the information set out in the Statement as circumstances necessitate such that the information herein remains accurate in all material respects.

2. Contents of the Statement

The Statement is made in accordance with the provisions of Standard Condition 42A of the electricity distribution licence granted to SEPD and SHEPD:

Standard Condition 42A of the electricity distribution licence requires the licensees to have in place an Affiliate IDNO Compliance Statement setting out the practices, procedures and systems that prevent any Affiliate IDNO from having access to Confidential Information except and to the extent that such information:

- a) is made available on an equal basis to all Electricity Distributors;
- b) is referable to a customer who at the time to which the information relates was a customer of the Affiliate IDNO; or
- c) is of a type that has been confirmed by the Authority in writing as corporate information.

The Statement sets out the practices, procedures and systems adopted by the Licensee to:

- maintain the full managerial and operational independence of the Licensees from the AIDNO;
- manage access to sites (whether physical or electronic) where Confidential Information is stored and to persons with knowledge of Confidential Information; and
- manage the transfer of employees from the Distribution Business to the AIDNO.

3. Managerial and operational independence

To maintain the full managerial and operational independence of the Licensees, these businesses are managerially and operationally run under the governance of SSEPD and independently from other SSE plc interests, including Optimal Power Networks Limited.

SSEPD has a board of directors comprising a common set of directors for the two distribution companies. The purpose of the SSEPD Board is to set the strategic aims, supervise the management and monitor performance of the Licensees.

As at the beginning March 2022, the SSEPD board comprised six executive directors and five non-executive directors. Executive directors are wholly engaged in the day-to-day management and operation of the Licensees and have no involvement in the activities of affiliates or related undertakings. Two of the non-executive directors are independent of SSE plc. The non-executive Chair is also an executive director of SSE plc Board. Each member of these boards fulfils their role in relation to the taking of such decisions as if he or she were the director of a legally incorporated company whose sole interest is the business in respect of which the board he or she is a member of has been established.

SSEPD has appointed an internal Business Separation Compliance Officer and External Compliance Officer to advise the Board. The Internal Business Separation Compliance Officer is independent of the management structure of SSEPD and reports through our General Council Team. The External Compliance Officer is currently Henderson Loggie, chartered accountants. Both Officers report to the Board on, at least, an annual basis.

Corporate governance procedures, which have been advised on by SSEPD's External Compliance Officer for the purpose of maintaining managerial and operational independence, are in place between the SSEPD Board and the SSE plc Board. The SSEPD Board's terms of reference and capital authorisation corporate policy are regularly reviewed to maintain the independence of SSEPD and reinforce the corporate governance procedures. The performance of the Licensees is reported to the SSE plc Board.

Persons engaged in the day-to-day management or operation of the Licensees are directly employed by the relevant legal entity or engaged under the provisions of an agreement that refers to business separation requirements set out in the Statement. The standard terms of employment of SSE plc include clauses on observing the business separation requirements of the Licensees as set out in the Statement. Deliberate breach of the confidentiality requirements would lead to disciplinary action.

Induction procedures for new staff include training on the requirements of Standard Condition 42A of the electricity distribution licence. All staff have access to the internal processes and procedures that enact the provisions of the Statement. Refresher training is provided to staff engaged in high risk activities.

4. Access to Confidential Information

As far as possible, Confidential Information is secured in premises or in systems solely used by the Licensees, or with persons wholly employed in the day-to-day operations of the Licensees. Where this is not possible, appropriate control measures are put in place to restrict access to Confidential Information:

- Wherever possible, employees of the Licensees are located in premises separate from those of the AIDNO. In those instances where facilities or property are shared, employees of the Licensees are located in separate areas. In either case, site access controls are in place restricting access to authorised persons only. All visitors are subject to the same access controls and accompanied when on site.
- Wherever possible, the Licensees will use IT systems and storage separate from those of the AIDNO. In those instances where IT equipment is shared, access is controlled through a security manager product that provides a number of security profiles, thus restricting access to authorised persons only. Further levels of security are provided through the authorisation process, physical access password, session controls and training.
- Where the Licensees use services from affiliates or related undertakings, a Service Level Agreement (SLA) or formal contract will be put in place. These will ensure and demonstrate that the services: are obtained in the most efficient and economical way possible; do not involve a cross subsidy given or received; competition is not restricted, distorted or prevented; and the provisions of the Statement are adhered to. Such agreements are subject to regular reviews of performance and transparent pricing provisions.
- Where the Licensee is required to provide services to other industry parties under the terms of its licence or statutory obligations, these are subject to standard industry agreements and charging arrangements.

Where the Licensees believe that Confidential Information held in relation to a customer of an AIDNO should not be regarded as confidential, it will make a formal request to that AIDNO to treat the information as non-confidential. Until such consent is granted the information concerned will remain protected.

5. Staff transfers

Staff transfers from the Licensees to the AIDNO, where the matters in the Statement are of concern, are discussed between the SSEPD Board and the Internal Compliance Officer where deemed necessary. If required, in addition, the External Compliance Officer will advise on the

appropriate action necessary to protect the Confidential Information and the managerial and operational independence of the Licensees.

6. Ensuring compliance with the Statement

In accordance with SSE plc risk management practices, SSEPD adopts multiple methods for ensuring compliance with the Statement:

- All internal business processes and procedures are easily accessible and subject to regular review.
- Staff are trained and refresher training is conducted.
- Day-to-day support, guidance and, where appropriate, monitoring are provided by Business Assurance and Networks Regulation teams.
- The Internal Business Separation Compliance Officer provides advice to the Licensees and conducts regular reviews of business practices.
- The External Compliance Officer provides advice and conducts an annual review of compliance with the Statement.
- SSE plc internal Group Compliance function will provide an independent annual audit of the licensees including the AIDNO as per the requirements of the Statement.
- Prepare AIDNO Compliance Report (after receiving the External Compliance Officer's report) setting out the licensee's compliance including details of any investigations conducted by the Compliance Officer.

SSEPD Board is responsible for compliance with the Statement and, through the internal Business Separation Compliance Officer and External Compliance Officer, receives reports on business practices.

7. Breach reporting and complaints

The Networks Business Separation Team will record and investigate any alleged breach of the Statement in consultation with the Internal Business Separation Compliance Officer and will maintain the business separation policy.

For complaints, a procedure has been agreed with the External Compliance Officer to notify them of any complaint that arises. Further investigation may then be undertaken by the External Compliance Officer supported by the Internal Business Separation Compliance Officer.

8. Contact

Enquiries in relation to this statement should, in the first instance, be addressed to:

Fiona Hannon
Internal Business Separation Compliance Officer
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Scottish and Southern Electricity Networks is a trading name of: Scottish and Southern Energy Power Distribution Limited Registered in Scotland No. SC213459; Scottish Hydro Electric Power Distribution plc Registered in Scotland No. SC213460; (both having their Registered Offices at Inveralmond House 200 Dunkeld Road Perth PH1 3AQ); and Southern Electric Power Distribution plc Registered in England & Wales No. 04094290 having its Registered Office at No.1 Forbury Place, 43 Forbury Road, Reading, United Kingdom, RG1 3JH which are members of the SSE Group

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