



Southern Electric Power Distribution plc Scottish Hydro Electric Power Distribution plc

Statement of Compliance

Restriction on use of certain information and independence of the electricity distribution licensees

1. Introduction

The purpose of this Statement of Compliance (“the Statement”) is to set out the practices, procedures and systems adopted by two electricity distribution networks licensees, 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 42 of the electricity distribution licences of:

Southern Electric Power Distribution plc (“SEPD”), and

Scottish Hydro Electric Power Distribution plc (“SHEPD”),

each, a Licensee and together, “the Licensees”.

Both Licensees, SEPD and SHEPD, are wholly owned subsidiaries of SSE plc¹.

The Board of each of SEPD and SHEPD shall take all reasonable steps to ensure compliance with the terms of the Statement. The Board of each of SEPD and SHEPD will, with the 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 42 of the electricity distribution licences granted to SEPD and SHEPD:

Standard Condition 42 of the electricity distribution licence requires the licensee to have in place a statement setting out the practices, procedures and systems that prevent any Relevant Undertaking from having access to any non-public information relating to, or deriving from, the management or operation of the licensed business (“Confidential Information”). Relevant Undertakings are holders of electricity supply, or gas supply, or gas shipper, or electricity generation licences that are also an affiliate or related undertaking

¹ SSE plc is the ultimate parent company of both SEPD and SHEPD. The direct parent company of SEPD and SHEPD is SSEN Distribution Limited (a direct subsidiary of Scottish and Southern Energy Power Distribution Limited).



of the licensee. In addition, a Relevant Undertaking can include Relevant Exemption Holders who are carrying out specific activities but are not required to hold a licence.

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

- maintain the full managerial and operational independence of the Licensees from any Relevant Undertaking;
- maintain the branding of the Licensees so that it is fully independent of any branding used by any Relevant Undertaking;
- manage access to sites (whether physical or electronic) where Confidential Information is stored and to persons with knowledge of Confidential Information by any Relevant Undertaking; and
- manage the transfer of employees to affiliates or related Relevant Undertakings.

3. Managerial and operational independence

To maintain the full managerial and operational independence of the Licensees, the two businesses are managerially and operationally run under the governance of the Boards of SEPD and SHEPD and independently from other SSE plc interests.

The Boards of SEPD and SHEPD have a common set of directors for both companies. The purpose of the Boards is to set the strategic aims, supervise the management and monitor performance of the Licensees.

Currently, both Boards comprise three executive directors and five non-executive directors. Executive directors are wholly engaged in the day-to-day management and operation of the Licensees and not involved in the activities of any other affiliates or related undertakings. Two of the non-executive directors are Sufficiently Independent Directors as required by the terms of the Distribution Licence. The non-executive Chair is also an executive director of SSE plc Board.

The Boards of the Licensees have appointed an Internal Business Separation Compliance Officer and External Compliance Officer to advise the Boards on business separation requirements. The Internal Business Separation Compliance Officer is independent of the management structure of SEPD and SHEPD and reports through our General Counsel Team. The External Compliance Officer is Henderson Loggie, chartered accountants. Both Officers report to the Boards of SEPD and SHEPD on at least an annual basis.

Corporate governance procedures, which have been advised on by the External Compliance Officer for the purpose of maintaining managerial and operational independence, are in place between the Boards of the Licensees and the SSE plc Board. The terms of reference for the Boards of SEPD and SHEPD and capital authorisation corporate policy are regularly reviewed to maintain the independence of the Boards 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 makes reference to business separation requirements set out in the Statement. The standard terms of employment of SSE plc group companies include clauses on observing the business separation requirements of the Licensees as set out in the Statement. Deliberate breach of the confidentiality requirements by an employee would lead to disciplinary action.

Induction procedures for new staff include training on the requirements of Standard Condition 42 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 annually.

4. Branding of the Licensees

The Licensees, in conjunction with Scottish Hydro Electric Transmission plc (SHE Transmission), which holds an electricity transmission licence, use a common brand, “Scottish and Southern Electricity Networks” (“SSEN”), in their day-to-day operations. This branding is distinct from other SSE Group companies in order to maintain a separate identity from all other activities of SSE plc. It is used by each of the Licensees and Transmission during the course of everyday operations to clearly identify their equipment, facilities/property, staff (e.g., uniforms and identity cards) and communications (e.g., stationery).

5. 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 Relevant Undertakings. 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 Relevant Undertakings. 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 is in place. These ensure and demonstrate that the services: are obtained in an efficient and economical manner; do not involve a cross subsidy given or received; do not restrict, distort or prevent



competition in any manner; and the provisions of the Statement are adhered to in full. Such agreements are subject to regular reviews of performance and utilise transparent pricing provisions.

- Where a 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 a Relevant Undertaking should not be regarded as confidential, it will make a formal request to that Relevant Undertaking to treat the information as non-confidential. Until such consent is granted the information concerned will remain protected.

6. Staff transfers

Staff transfers from the Licensees to affiliates or Relevant Undertakings, where the matters in the Statement are of concern, are discussed between the Boards of SEPD and SHEPD 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.

7. Ensuring compliance with the Statement

In accordance with SSE plc risk management practices, the Boards of SEPD and SHEPD adopt 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 is provided by Business Assurance and Regulation teams.
- The Internal Business Separation Compliance Officer provides advice 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 undertake an annual audit of compliance with the Statement.

The Boards of SEPD and SHEPD are responsible for compliance with the Statement and, through the Internal Business Separation Compliance Officer and External Compliance Officer, receive reports on business practices.

8. Breach reporting and complaints



The Distribution Business Assurance 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.

9. Contact

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

Fiona Ditchburn
Internal Business Separation Compliance Officer
SEPD plc and SHEPD plc
Inveralmond House
200 Dunkeld Road
Perth PH1 3AQ
E-mail: bsco@sse.com

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