



Statement of Compliance

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

The Electricity Network Company Limited
Independent Power Networks Limited



1. INTRODUCTION

This Statement of Compliance (the "Statement") is prepared pursuant to licence condition 31B of the electricity distribution licence (the "Licence") for The Electricity Network Company Limited (ENC) and Independent Power Networks Limited (IPNL), together the "licensees".

This Statement sets out how the Licensees shall prevent Relevant Undertakings from having access to Confidential Information (except and to the extent set out in Standard Licence Condition 31B.2 of the Licence).

The terms "Relevant Undertaking" and "Confidential Information" are defined in Condition 31B of the Licence.

This statement is in a form that has been approved by The Gas and Electricity Markets Authority.

2. BACKGROUND

ENC and IPNL, are wholly owned subsidiaries of BUUK Infrastructure No 2 Limited (BUUK) operating as independent distribution network operators. ENC and IPNL operates networks across Great Britain under the GTC brand and is operated by GTC Infrastructure Limited (GTC). ENC and IPNL acquire local electricity distribution networks that are constructed for it by other group entities or by third party utility providers and which connect typically to the upstream business of incumbent regional electricity distributors operating in their relevant Distribution Services Area.

BUUK also owns subsidiaries Independent Community Heating Limited (ICHL) and Metropolitan Infrastructure Limited (MIL). ICHL and MIL own or operate district heating and cooling solutions to developments. This includes Combined Heat and Power (CHP) units which are used to produce hot water to distribute heat to customers' premises. A feature of CHP units is that they also generate electricity as a "bi-product". The generated electricity is sold to electricity suppliers. The electricity output of each CHP unit is significantly less than 10 MW.

Under Condition 31B, ENC and IPNL, and ICHL fall under the description of a Vertically Integrated Undertaking (as defined by the condition). As such the Licence requires that the Licensees must at all times:

"...maintain managerial and operational systems that prevent any Relevant Undertaking from having access to Confidential Information..."; and,

"...have in place a Compliance Statement, approved by the Authority, that describes the practices, procedures, and systems which the licensee has adopted (or intends to adopt) to ensure compliance...".

The generation owned and operated by ICHL & MIL is provided solely for the operation of ICHL's and MIL's district heating networks. It is not provided or operated to support the operation of the licensees' distribution systems.

As an entity GTC takes all reasonable steps to ensure compliance with the terms of the Statement, acknowledging that ultimate compliance responsibility remains with each individual network company. GTC will, with the approval of the Gas and Electricity Markets Authority (Ofgem), revise the information set out in this Statement to ensure that the information contained within it remains accurate.

We believe the procedures, practices and systems described by this statement are proportionate in assuring compliance with Condition 31B given:

- The limited size of generation, and the way and purpose for which it is operated.
- The way that the licensee owns and operates networks, i.e. its distribution system comprises multiple separate networks that connect to an upstream distributor's distribution system.
- That in many cases the generation is connected directly to the distribution system of another (non affiliated) distributor, where the Licensee has no access to Confidential Information held by that other distributor.

3. CONTENTS OF THIS STATEMENT

This Statement is produced in accordance with the requirements of Standard Licence Condition 31B of the electricity distribution licence granted to ENC and IPNL and describes the steps that the Licensees follow to:

- Maintain managerial and operational independence from ICHL & MIL.
- Maintain branding of the Licensees so that it is Independent from that of ICHL & MIL.
- Manage the transfer of employees engaged with the management and operation of the Licensees to ICHL & MIL.

The purpose of these arrangements is to prevent any Relevant Undertaking from having access to Confidential Information.

4. MAINTAINING MANAGERIAL AND OPERATIONAL INDEPENDENCE

ENC and IPNL, ICHL & MIL are all separate legal entities, with each company having independent management structures. There are distinct geographical locations for the management and operations of the different businesses providing a clear physical separation.

- ENC/IPNL business and management teams operate from BUUK's office in Woolpit, Bury St Edmunds in Suffolk.
- ICHL operates from an office in Cardiff,
- MIL operates from an office in central London.

Commercial and strategic decision making is undertaken by ENC and IPNL's respective, distinct and separate, management teams. Each business has separate accounts, individual decision-making structures and operational personnel. ENC and IPNL procure services for the operation of their distribution system. The provision of such services are covered by service level agreements with the relevant affiliate. Such agreements are subject to regular review. ENC and IPNL do not procure any services from ICHL

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.

Whilst some of the directors on the board of ENC and IPNL are also on the board of ICHL, they are fully aware, and reminded annually, of the requirement to prevent the dissemination of Confidential Information of the Licensees to ICHL. The directors are not involved in the day to day management or operation of either ENC and IPNL, MIL or ICHL.

5. BRANDING OF THE LICENSEES

The Licensees ENC and IPNL operate under the brand of GTC. Equipment, facilities, property, staff uniforms, identity cards and stationery are all branded with GTC for the IDNO businesses. ICHL activities are all branded as Metropolitan and are clearly distinct and different to those of GTC.

6. ACCESS TO CONFIDENTIAL INFORMATION

Confidential information is secured in the respective premises or in systems used by either ENC/IPNL or ICHL & MIL, or with persons wholly employed in the day-to-day operations of these businesses.

No information relating to the separate activities of the respective businesses is reported downwards to other businesses within the group. No sensitive information as to the IDNO operations of ENC/IPNL are shared with ICHL or MIL.

Wherever possible ENC/IPNL will use IT systems that are separate from those used by ICHL and MIL. In those instances where IT equipment is shared, access is controlled through security management profiles that restricts access to Confidential Information of the licensees to authorised persons only.

7. STAFF TRANSFERS

Staff transfers between ENC/IPNL and MIL/ICHL, and the associated GTC and Metropolitan, where the matters of this Statement are of concern, are discussed between the BUUK Board and the independent Compliance Officer where deemed necessary.

8. ENSURING COMPLIANCE WITH THIS STATEMENT

ENC/IPNL utilises several methods to ensure compliance with this statement, these include:

- Internal business process and procedures are documented with a rigorous control mechanism and quality mechanism (Integrated Management System) that is compliant with ISO BS/EN/ISO 9001 Quality Management System and our own Groups Management Records policy, including scheduled regular reviews.
- Staff are trained to understand the requirements of business separation between ICHL/MIL and ENC/IPNL.
- Support, guidance and monitoring is provided by the BUUK Regulation Team, including regular audits and reviews of business practices.
- The independent Compliance Officer provides advice and conducts an annual review of compliance with this Statement.
- The BUUK Board is responsible for compliance with this Statement and via the independent Compliance Officer receives reports on business practices.

9. BREACH REPORTING AND COMPLAINTS

For complaints, and allegations of breaches to this Statement, a procedure has been agreed with the independent Compliance Officer for them to be notified and to investigate the matter.

10. CONTACT

Enquires in relation to this statement should be addressed to:

The Regulation Team
BUUK Infrastructure Limited
Synergy House, Woolpit Business Park, Woolpit
Bury St Edmunds, Suffolk IP30 9UP

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