

# NIE COMPLIANCE PLAN ON BUSINESS INDEPENDENCE

## Draft (Effective from 1 November)

### 1. Introduction

The following compliance plan is submitted pursuant to Condition 12 of NIE's licence document which requires NIE to establish, and at all times maintain, the full managerial and operational independence of the Transmission and Distribution Business. This licence condition reflects the "unbundling" provisions of Articles 15 and 17 of Directive 2003/54EC ("the Directive").

This compliance plan, which is effective from 1 November 2007, is submitted for NIAUR's approval. The plan may be revised only with the approval of the Authority.

### 2. Criteria for Independence

#### 2.1 Legal structure

In line with Articles 15 and 17 of the Directive, which require legal separation, within a vertically integrated undertaking, of transmission and distribution from generation and supply functions, NIE is legally separate from all other businesses within the Viridian Group. From 1 November 2007, NIE comprises the regulated businesses of Transmission and Distribution and Land Bank. NIE holds a subsidiary transmission system operator business, SONI, which NIE has agreed to divest from the group in 2008, subject to reaching agreement with NIAUR on price control arrangements that support an appropriate exit value for the business, including its pension liabilities. NIE does not hold any shares in any holding company or in any electricity undertaking engaged in the generation or supply of electricity on the island of Ireland.

#### 2.2 Management and staff

NIE is managed by a separate Board which has effective decision-making rights with respect to those assets under its control necessary for network operation, maintenance and development. No director of NIE is also a director of an Associated Business engaged in supply or generation of electricity.

The Board of Viridian Group reviews subsidiary company internal controls risk management arrangements and governance structure (including those of NIE). Viridian's rights of economic and management supervision include the right to approve subsidiary company operating and capital expenditure budgets, financial limits of authority and to set financial limits, such as the level of indebtedness. Notwithstanding Viridian's parental rights, decisions relating to distribution system operation and maintenance

and development of the transmission and distribution network are taken by NIE's directors and management.

A register of all persons employed by NIE is in place. It is updated monthly.

In line with business best practice, there are certain corporate support functions that deliver services to NIE. These include group finance, group HR, internal audit, legal, regulation (excluding Viridian Power and Energy), IT and safety functions. With the exception of Viridian Group legal department, it is not considered that the individuals involved in these functions would have access to protected information. Viridian Group legal department is fully familiar with the relevant regulatory obligations concerning the use of such information.

In emergency situations e.g. in the event of a major storm causing widespread damage to the T&D system, NIE is able to deploy personnel from Associated Businesses as appropriate, principally as call handling agents. As confirmed in our separate compliance statement on restricting the use of information, such personnel have no access to commercially sensitive information held by NIE.

In accordance with paragraph 3(e) of NIE's licence, NIE managers seeking to transfer to an associated business engaged in generation or supply of electricity may not do so until after the expiry of the required period set out in the licence.

It is not common practice to transfer or second NIE staff to other Viridian businesses. It is a matter for individual NIE employees to decide whether they wish to apply for vacant posts in any affiliated business that is engaged in the generation or supply of electricity, in which case the requirements in paragraph 3 (e) of Condition 12 are applicable and the attached compliance procedure shall apply.

NIE will follow the attached procedure so far as is legally defensible. In the event of the procedure being successfully challenged, for example where it may infringe the employment rights of an individual, alternative arrangements may need to be made in consultation with the Authority.

### 2.3 Premises, property and equipment.

NIE does not share premises with any Associated Business. Associated Businesses have access to NIE premises on the same basis as other undertakings unaffiliated to NIE e.g. for the purpose of business meetings.

It should be noted that electrical contractors, including NIE Powerteam, may require more general access to NIE premises. This is essential to enable NIE to carry on its business efficiently. NIAUR has consulted on a licence modification excluding NIE Powerteam from the scope of Condition 12. NIE Powerteam is engaged in construction, maintenance and connection work exclusively on behalf of NIE. It has no business dealings with generators or suppliers and consequently its relationship with NIE

does not lessen NIE's independence from businesses engaged in the generation or supply of electricity on the island of Ireland.

Subject to the comment at paragraph 2.4 below, it is confirmed that no assets of NIE, including property and equipment, are provided for the use of any Associated Business.

#### 2.4 Systems.

A major review of all IT systems is currently underway to confirm that no Associated Business can obtain access to any system for the recording, processing or storage of data to which persons engaged in the management or operation of NIE also have access (to be concluded ahead of SEM go-live).

Where it is not practicable or economically feasible to create separate platforms or systems, robust and secure access protocols are put in place.

With the approval of the Authority, NIE and Energia have jointly developed a common platform for their NI 2007 IT systems. Whilst functionality is shared, the respective business information systems are entirely separate and there is no provision for common access.

#### 2.5 Branding

NIE will continue to use its established brand and logo.

#### 3. Audit Arrangements and Compliance Investigations

PwC will be engaged as internal auditors to assist in the audit of NIE's procedures supporting compliance with Condition 12 of its licence. The scope of the audits and the review of the audit findings will be agreed with NIE's Compliance Manager.

#### 4. Compliance Reporting to NIAUR

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.

**NIE Licence Condition 12, paragraph 3 (e) – NIE Compliance Procedure**

