

PPB COMPLIANCE PLAN ON BUSINESS INDEPENDENCE

1. Introduction

The following compliance plan is submitted pursuant to Condition 61 of the PES licence document which requires the Licensee (NIE Energy from 1 November 2007) to establish, and at all times thereafter maintain, the full managerial and operational independence of the Power Procurement Business (PPB) from any Associated Business.

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. Management and Operation of PPB

2.1 Decision-making

Except as provided for in the PTIA or PSIA, decisions concerning the carrying out of the activities of the PPB (or any part of it) may be taken only by PPB's managers and employees. Excepting PPB's role in administering the power station agreements (PSAs) and generating unit agreements (GUAs) to which NIE Energy is counterparty, PPB personnel have no locus in relation to any supply or generation business on the island of Ireland.

The Board of Viridian Group reviews subsidiary company internal controls, risk management arrangements and governance structure (including those of NIE Energy). 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. In addition, the Board of NIE Energy Limited exercises complementary rights of economic and management supervision. Notwithstanding Viridian's and NIE Energy's parental rights, PPB's management is entirely responsible for the day-to-day operation of the business. It is a primary responsibility of PPB's managers to act in a manner calculated to secure that the operation of PPB does not restrict, distort or prevent competition in the supply or generation of electricity on the island of Ireland.

No director of the Licensee (NIE Energy) may be a director of another company which carries on an Associated Business engaged in the generation or supply of electricity on the island of Ireland.

2.2 Associated Businesses

No Associated Business (save in so far as the Authority otherwise consents) uses or has access to:

- (i) premises or parts of premises occupied by persons engaged in the management or operation of PPB;
- (ii) systems for the recording, processing or storage of data to which persons engaged in the management or operation of PPB also have access;
- (iii) equipment, facilities or property employed for the management or operation of PPB; and
- (iv) the services of persons who are (whether or not as their principal occupation) engaged in the management or operation of PPB;

PPB currently has premises at Castlereagh House Control Centre where the System Operator (SONI) is also located. Plans are being progressed to re-locate PPB and it is hoped that this will be completed around the end of this year or very early in 2008 (but not later than April 2008). Otherwise, as approved by NIAUR, Associated Businesses have access to PPB premises on the same basis as other undertakings unaffiliated to PPB, for example, for the purpose of business meetings.

Staff employed in PPB work exclusively for PPB. In emergency situations e.g. in the event of a major storm causing widespread damage to the T&D system, NIE deploys personnel from associated businesses such as PPB, as appropriate, principally as call handling agents.

In accordance with paragraph 3(e)(ii) of Condition 61 of the PES licence, PPB staff seeking to transfer to an associated business engaged in generation or supply of electricity may not do so until after the expiry of an appropriate period (being three months in the case of the Power Procurement Manager or, in the case of other PPB staff, three months or such lesser period as may be approved by NIAUR). The attached procedure will be followed in such cases so far as is legally defensible. Where it may infringe the employment rights of any individual, alternative arrangements may need to be made in consultation with the Authority.

In line with best business practice, there are certain corporate support functions that deliver services to PPB. 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 held by PPB. Exceptionally, the Viridian Group legal department, which is fully familiar with the relevant regulatory obligations, may have access to such information from time to time.

3. Audit Arrangements and Compliance Investigations

PwC will be engaged as internal auditors to assist in the audit of PPB's procedures supporting compliance with Condition 61 of its licence. The scope of the audits and the review of the audit findings will be agreed with PPB'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.

PES Licence Condition 61, paragraph 3 (e)(ii) – PPB Compliance Procedure

