

## **Annual Compliance Report**

### **National Grid Electricity Transmission plc**

Prepared pursuant to paragraph 9 of Special Condition 2H of the Electricity Transmission Licence granted to National Grid Electricity Transmission plc (registered in England with number 2366977) whose registered office is at 1-3 Strand, London WC2N 5EH under section 6(1)(b) of the Electricity Act 1989

**7<sup>th</sup> February 2018**

## **1. Introduction**

Paragraph 9 of Special Condition 2H of the Electricity Transmission Licence (“Licence”) granted to National Grid Electricity Transmission plc (“NGET”) requires NGET to produce an annual report covering its compliance during the relevant year with Special Condition 2B of the licence and its implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement, as approved by the Gas and Electricity Markets Authority. This is the annual report in respect of the period 1 January 2017 to 31 December 2017 (“Period”).

## **2. Compliance during the relevant year**

NGET has been compliant with the obligations set out in Special Condition 2B of its licence throughout the Period.

During the Period, there have been 11 applications for connection which fall within the category described in paragraph 1 of Special Condition 2B. NGET treated the information received in respect of all applications for connection as confidential. Throughout the Period, no applications were received where the applicant indicated that they were willing to consider a connection at a point inside or outside of NGET’s Transmission Area.

## **3. Implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement**

NGET has implemented a policy approved by the Authority, and remains prepared to deal with any relevant connection applications in a manner compliant with Special Condition 2B. This policy is described in a statement provided to the Authority and approved by it on 24th March 2005.

To further reinforce this policy, when applying for a connection pursuant to paragraph 1(b) of Standard Condition C8, applicants are required to identify any other application they have submitted which is intended as an alternative. This policy amendment has been reflected in a revised statement which was provided to the Authority in 2013. A copy of this is available on the National Grid website.

## **4. Activities of the Compliance Officer**

The activities of the Compliance Officer in securing compliance with Special Condition 2B of the licence include the following:

(i) Monitoring of the effectiveness of the practices, procedures and systems

The Compliance Officer has implemented an annual monitoring process to assess whether NGET has effective processes in place to secure compliance with Special Condition 2B.

The monitoring process requires relevant NGET managers to complete a compliance return which specifies the framework, processes and controls that are in place to secure that information relating to applications for connection, which fall within the category described in paragraph 1 of Special Condition 2B, are kept confidential.

The compliance return also requires relevant NGET managers to specify the framework, processes and controls that are utilised to secure compliance with Special Condition 2B in the event of applications for connection being received that would fall within the definition of an 'alternative offer' as described in paragraph 3 of Special Condition 2B.

The compliance return is approved by a Director. The monitoring process culminates in a review by the Compliance Officer to determine if the process remains fit for purpose and any appropriate improvement recommendations are made at this stage.

(ii) Review of the Compliance Statement

The Compliance Officer is required to review the Compliance Statement to ensure it is accurate in all material respects. The Compliance Officer's opinion is that the Compliance Statement is accurate in all material respects for circumstances where NGET receives and processes a specific requirement for an alternative offer.

However, for future electricity connections applications, where there is uncertainty over the best location to connect a customer and/or there is the possibility to connect to different TO networks, NGET is more likely to use the CION process, rather than the practices, procedures and systems as set out in Special Condition 2B, to determine the most economic and efficient connection location.

NGET will obtain written agreement from the applicant and Ofgem for any proposed use of the CION process where an applicant has indicated they would consider a connection either inside or outside of NGET's Transmission Area. NGET's compliance statement is available on National Grid's website.

(iii) Education, Awareness and Code of Conduct

The Compliance Officer delivers regular compliance awareness briefings to remind relevant managers and staff of NGET's licence obligations not to discriminate between users for the purpose of connection to the national electricity transmission system. More broadly, NGET's employees are reminded not to give or receive an unfair commercial advantage through connection related activities or otherwise.

NGET's business separation obligations, and its obligations under competition law, are further reinforced to NGET's staff via an e-learning module.

The Compliance Officer makes further compliance information pertaining to Special Condition 2B available to all NGET staff via the Licence Management Infonet site which includes a general code of conduct known as the Compliance Rules which prohibits NGET's staff from acting to give or receive an unfair commercial advantage in any of NGET's activities.

(iv) Compliance Officer Advice

The Compliance Officer provides an advice service to NGET employees to secure compliance with NGET's licence obligations. The Compliance Officer's reporting line is independent of NGET's

management structure to ensure that no conflict of interest arises in respect of the Compliance Officer's activities or guidance.

#### **5. Investigations conducted by the Compliance Officer**

There have been no complaints or investigations during the period.

#### **6. Further Information**

Any enquiries regarding the content of this report should be addressed in the first instance to the Compliance Officer at the following address:

National Grid Electricity Transmission plc  
Legal Department  
National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA